

BARACK OBAMA LEADERSHIP ACADEMY
FINANCIAL REPORT
WITH
SUPPLEMENTAL INFORMATION

JUNE 30, 2023

BARACK OBAMA LEADERSHIP ACADEMY

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

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, 2023, 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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 Supplemental Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2023 on our consideration of the 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
October 31, 2023

BARACH OBAMA LEADERSHIP ACADEMY

Management's Discussion and Analysis (MD&A)

June 30, 2023

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, 2023 and 2022.

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, 2023 the Academy's fund balance for the governmental funds was \$280,511 as compared to \$127,131 at June 30, 2022.
- As of June 30, 2023, the Academy had net position of \$1,041,620 as compared to \$899,271 at June 30, 2022.

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, 2023

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 academy-wide financial statements. However, unlike the academy-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 academy-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the academy-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, 2023

ACADEMY-WIDE FINANCIAL ANALYSIS

The Academy's net position was \$1,041,620 at June 30, 2023. This amount represents net investment in capital assets of \$761,109 and unrestricted net position of \$280,511. The Academy's net position was \$899,271 at June 30, 2022 and of this amount \$772,140 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, 2023</u>	<u>June 30, 2022</u>
Assets		
Current Assets	\$ 796,670	\$ 539,016
Capital Assets, Net of Depreciation	812,973	876,198
Total Assets	<u>1,609,643</u>	<u>1,415,214</u>
Liabilities		
Current Liabilities	516,159	464,079
Lease Obligation	51,864	51,864
Total Liabilities	<u>568,023</u>	<u>515,943</u>
Net Position		
Net Investment in Capital Assets	761,109	772,140
Unrestricted	280,511	127,131
Total Net Position	<u>\$ 1,041,620</u>	<u>\$ 899,271</u>

BARACK OBAMA LEADERSHIP ACADEMY

Management's Discussion and Analysis (MD&A) (Continued)
June 30, 2023

ACADEMY-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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Revenue		
State Aid Formula Grants	\$ 2,988,757	\$ 2,637,030
Other Revenue	43,616	35,832
Operating Grants and Contributions	<u>2,419,657</u>	<u>2,696,806</u>
Total Revenues	<u>5,452,030</u>	<u>5,369,668</u>
Functions/Program Expenses		
Basic Instruction	1,471,852	1,422,149
Instruction - Added Needs	688,419	689,779
<u>Supporting Services</u>		
Pupil Support Services	175,272	93,199
Instructional Staff Services	410,734	532,057
General Administration Services	380,143	423,032
School Administration Services	217,859	220,081
Business Services	198,284	170,865
Operations and Maintenance	610,165	639,567
Central Services	339,263	549,951
Transportation	300,260	255,596
Depreciation Expenses (Unallocated)	63,225	63,225
Community Services	55,885	74,017
Food Services	369,879	304,729
Bad Debt	-	120,321
Other Uses - Withholding of Prior Year Revenue	<u>28,441</u>	<u>99,022</u>
Total Expenses	<u>5,309,681</u>	<u>5,657,590</u>
Change in Net Position	<u>\$ 142,349</u>	<u>\$ (287,922)</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>2023</u>		<u>2022</u>	
	<u>Expenditure</u>	<u>Percent</u>	<u>Expenditure</u>	<u>Percent</u>
Governmental Expenditures				
Instructional Expenditures	\$ 2,160,271	41%	\$ 2,111,928	37%
Support Services	2,740,059	52%	3,240,933	57%
Food Services	<u>369,879</u>	<u>7%</u>	<u>304,729</u>	<u>6%</u>
Total Governmental Expenditures	<u>\$ 5,270,209</u>	<u>100%</u>	<u>\$ 5,657,590</u>	<u>100%</u>

BARACK OBAMA LEADERSHIP ACADEMY

Management's Discussion and Analysis (MD&A) (Continued)
June 30, 2023

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 \$436,899 less than budget or approximately 8%.
- The total budgeted expenses compared to actual expenses varied from line item to line item with the ending actual expenses being \$689,370 less than budget or approximately 12%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the Academy had capital assets of \$812,973, net of accumulated depreciation and amortization, including building and improvements, furniture and equipment leased vehicles compared to \$876,198 at June 30, 2022.

Debt

At June 30, 2023, the Academy had \$51,864 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 2023-2024 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 2023-24 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 310 students in the Fall of 2023.

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, 2023

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, 2023

	Governmental Activities
ASSETS	
Due From Other Governmental Units (Note 4)	\$ 796,670
Capital Assets, Net of Accumulated Depreciation (Note 5)	812,973
Total Assets	1,609,643
LIABILITIES	
Accounts Payable	54,823
Accrued Liabilities	338,225
Cash Overdraft (Note 3)	69,625
State Aid Anticipation Note (Note 10)	53,486
Lease Obligation, Current Portion (Note 7)	51,864
Total Current Liabilities	568,023
Total Liabilities	568,023
NET POSITION	
Net Investment in Capital Assets	761,109
Unrestricted	280,511
Total Net Position	\$ 1,041,620

The accompanying notes are an integral part of these financial statements.

BARACK OBAMA LEADERSHIP ACADEMY

Statement of Activities Year Ended June 30, 2023

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	\$ 1,471,852	\$ -	\$ 1,132,109	\$ (339,743)
Instruction - Added Needs	688,419	-	529,514	(158,905)
<u>Supporting Services</u>				
Pupil Support Services	175,272	-	-	(175,272)
Instructional Staff Services	410,734	-	315,926	(94,808)
General Administration Services	380,143	-	-	(380,143)
School Administration Services	217,859	-	167,570	(50,289)
Business Services	198,284	-	-	(198,284)
Operations and Maintenance	610,165	-	-	(610,165)
Central Services	339,263	-	-	(339,263)
Transportation	300,260	-	-	(300,260)
Depreciation Expenses	63,225	-	-	(63,225)
Community Services	55,885	-	-	(55,885)
Food Services	369,879	-	274,538	(95,341)
Other Uses - Withholding of Prior Year Revenue	28,441	-	-	(28,441)
Total Governmental Activities	5,309,681	-	2,419,657	(2,890,024)
<u>General Revenues</u>				
State Aid - Formula Grants				2,988,757
Other Revenue				43,616
Total General Revenues				3,032,373
Change in Net Position				142,349
Net Position - July 1, 2022				899,271
Net Position - June 30, 2023				\$ 1,041,620

The accompanying notes are an integral part of these financial statements.

BARACK OBAMA LEADERSHIP ACADEMY

Governmental Funds Balance Sheet June 30, 2023

	<u>General Fund</u>	<u>Non-Major Fund School Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Due From Other Governmental Units (Note 4)	\$ 796,670	\$ -	\$ 796,670
Total Assets	<u>\$ 796,670</u>	<u>\$ -</u>	<u>\$ 796,670</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 54,823	\$ -	\$ 54,823
Accrued Liabilities	338,225	-	338,225
State Aid Anticipation Note (Note 10)	53,486	-	53,486
Cash Overdraft (Note 3)	69,625	-	69,625
Total Liabilities	<u>516,159</u>	<u>-</u>	<u>516,159</u>
Fund Balance (Note 1)			
Unassigned	280,511	-	280,511
Total Fund Balance	<u>280,511</u>	<u>-</u>	<u>280,511</u>
Total Liabilities and Fund Balance	<u>\$ 796,670</u>	<u>\$ -</u>	<u>\$ 796,670</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, 2023

Total Fund Balances - Governmental Funds \$ 280,511

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

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

Cost of capital assets	1,544,494	
Accumulated depreciation and amortization	<u>(731,521)</u>	812,973

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

(51,864)

Total Net Position - Governmental Activities

\$ 1,041,620

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, 2023

	General Fund	Non-Major Fund School Service Fund	Total Governmental Funds
REVENUE			
Federal Sources	\$ 1,582,706	\$ 272,132	\$ 1,854,838
State Sources	3,549,393	2,406	3,551,799
Local Sources	45,393	-	45,393
Total Revenue	<u>5,177,492</u>	<u>274,538</u>	<u>5,452,030</u>
EXPENDITURES			
Basic Instruction	1,471,852	-	1,471,852
Instruction - Added Needs	688,419	-	688,419
<u>Supporting Services:</u>			
Pupil Support Services	175,272	-	175,272
Instructional Staff Services	410,734	-	410,734
General Administration Services	380,143	-	380,143
School Administration Services	217,859	-	217,859
Business Services	198,284	-	198,284
Operations and Maintenance	662,359	-	662,359
Central Services	339,263	-	339,263
Transportation	300,260	-	300,260
Community Services	55,885	-	55,885
Food Service	-	369,879	369,879
Total Expenditures	<u>4,900,330</u>	<u>369,879</u>	<u>5,270,209</u>
Excess of Revenue Over Expenditures	277,162	(95,341)	181,821
Other Financing Sources (Uses)			
Other Uses - Withholding of Prior Year Revenue (Note 9)	(28,441)	-	(28,441)
Transfers in (Note 8)	-	95,341	95,341
Transfers out (Note 8)	(95,341)	-	(95,341)
Total Other Financing Sources (Uses)	<u>(123,782)</u>	<u>95,341</u>	<u>(28,441)</u>
Net Change in Fund Balance	153,380	-	153,380
Fund Balance - July 1, 2022	<u>127,131</u>	<u>-</u>	<u>127,131</u>
Fund Balance - June 30, 2023	<u>\$ 280,511</u>	<u>\$ -</u>	<u>\$ 280,511</u>

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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 153,380

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)

Principal Payments on Leases 52,194

Change in Net Position - Governmental Activities \$ 142,349

The accompanying notes are an integral part of these financial statements.

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements
June 30, 2023

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, 2023 to DPSCD was approximately \$98,000.

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.

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 academy-wide and fund financial statements.

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)

June 30, 2023

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, 2023.

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, 2023.

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, 2023, the Academy had no unearned revenue.

Compensated Absences (Vacation) – A Liability for compensated absences would be reported in the academy-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, 2023.

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, 2023.
- 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 lease payable and 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.

Leases – The Academy is a lessee for noncancellable leases for buses. The Academy recognizes a lease liability and an intangible right to use lease asset in the government-wide financial statements.

At the commencement of a lease, the Academy initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Leases (Continued)

Key estimates and judgements related to leases include how the Academy determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

The Academy monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Adoption of New Accounting Pronouncement – In May 2020, the GASB issued Statement No. 96, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of this Statement improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. It defines a SBITA as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The Academy had no SBITAs required to be reported on the statement of net position.

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.

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)
June 30, 2023

2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information (Continued)

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. In total, actual expenditures were \$689,370 below the final amended budget. 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	\$ 940,251	\$ 619,000	\$ 688,419	\$ 69,419
<u>Supporting Services:</u>				
Instructional Staff Services	536,572	279,000	410,734	131,734
School Administration Services	153,000	170,500	217,859	47,359
Other Central Support	494,744	322,000	339,263	17,263
Pupil Transportation Services	227,163	300,000	300,260	260
Community Services	57,328	53,000	55,885	2,885

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, 2023.

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, 2023, the Academy does not have any investments.

3) DEPOSITS AND INVESTMENTS (Continued)

The Academy has designated two banks 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 \$281,092, out of which \$31,092 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, 2023.

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 \$704,199 from the State of Michigan and \$92,471 from Federal grants.

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)
June 30, 2023

5) CAPITAL ASSETS

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

	Balance July 1, 2022	Additions	Balance June 30, 2023
Capital Assets Being Depreciated:			
Land	\$ 74,000	\$ -	\$ 74,000
Buildings & Improvements	734,744	-	734,744
Furniture and Equipment	421,423	-	421,423
Right-to-use Asset - Vehicles	314,327	-	314,327
Subtotal	1,544,494	-	1,544,494
Accumulated Depreciation:			
Buildings & Improvements	98,452	7,515	105,967
Furniture and Equipment	366,998	4,794	371,792
Right-to-use Asset - Vehicles	202,846	50,916	253,762
Subtotal	668,296	63,225	731,521
Net Governmental Capital Assets	\$ 876,198	\$ (63,225)	\$ 812,973

Total depreciation and amortization expense was \$63,225 for the year ended June 30, 2023. 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, 2023 was \$219,439.

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%.

A schedule of annual lease payments are as follows:

Year Ended June 30	Principal	Interest	Total
2024	\$ 51,864	\$ 14,183	\$ 66,047
Total	\$ 51,864	\$ 14,183	\$ 66,047

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)
June 30, 2023

8) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter-fund balances is as follows:

	<u>Fund Transfer Out</u>
<u>Fund Transfer In</u>	<u>General Fund</u>
Cafeteria Fund	\$ 95,341
Total	<u>\$ 95,341</u>

9) WITHHOLDING OF PRIOR YEAR REVENUE

During the year the State of Michigan withheld a total of \$28,439 from the following grants: \$17,113 Title II funds, \$10,295 Title IV funds and \$1,031 ESSER II funds. This had been recorded as revenue in prior fiscal years.

10) STATE AID ANTICIPATION NOTE

In September 2022, the Academy borrowed \$300,000 at 5.40 percent annual interest on a state aid anticipation note. Proceeds from the note were used to fund school operations. The unpaid balance totals \$53,486 at June 30, 2023. The note was fully paid subsequent to year end.

11) SUBSEQUENT EVENTS

The Academy has evaluated all subsequent events through October 31, 2023, 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, 2023

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Federal Sources	\$ 1,448,091	\$ 2,071,376	\$ 1,582,706	\$ (488,670)
State Sources	3,330,775	3,476,340	3,549,393	73,053
Local Sources	252,800	66,675	45,393	(21,282)
Total Revenue	5,031,666	5,614,391	5,177,492	(436,899)
Expenditures				
<u>Instructional Services</u>				
Basic Programs	989,165	1,687,000	1,471,852	(215,148)
Added Needs	940,251	619,000	688,419	69,419
<u>Supporting Services:</u>				
Pupil Support Services	180,000	341,700	175,272	(166,428)
Instructional Staff Services	536,572	279,000	410,734	131,734
General Administration Services	348,000	463,500	380,143	(83,357)
School Administration Services	153,000	170,500	217,859	47,359
Business Services	177,500	249,000	198,284	(50,716)
Operation and Maintenance	525,000	793,000	662,359	(130,641)
Other Central Support	494,744	322,000	339,263	17,263
Pupil Transportation Services	227,163	300,000	300,260	260
Athletics	15,000	10,000	-	(10,000)
Community Services	57,328	53,000	55,885	2,885
Food Services	383,988	302,000	-	(302,000)
Total Expenditure	5,027,711	5,589,700	4,900,330	(689,370)
Excess of Revenue over Expenditures	3,955	24,691	277,162	252,471
Other Financing Uses				
Other Uses - Withholding of Prior Year Revenue (Note 9)	-	-	(28,441)	(28,441)
Transfers out to other fund	-	-	(95,341)	(95,341)
Net Change in Fund Balance	\$ 3,955	\$ 24,691	153,380	\$ 128,689
Fund Balance - July 1, 2022			127,131	
Fund Balance - June 30, 2023			\$ 280,511	