

**BARACK OBAMA LEADERSHIP ACADEMY
FINANCIAL REPORT
WITH
SUPPLEMENTAL INFORMATION**

JUNE 30, 2025

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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, 2025, 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, 2025, 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.

Substantial Doubt about the Academy's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 9 to the financial statements, the Academy has suffered recurring losses. Although there was an increase in the General fund balance of \$61,322 for the year ended June 30, 2025, the Academy still has a general fund deficit of \$295,275. Management's evaluation of the events and conditions and management's plans regarding those matters are described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Independent Auditor's Report (Continued)

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.

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 November 13, 2025, 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 L. Young, AIAO
Detroit, Michigan
November 13, 2025

BARACK OBAMA LEADERSHIP ACADEMY

Management's Discussion and Analysis (MD&A)

June 30, 2025

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, 2025 and 2024.

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, 2025, the Academy's fund balance for the governmental funds was a deficit of \$237,479 as compared to \$333,464 as of June 2024. As a result of the general fund deficit, the Academy will be required to file a deficit elimination plan with the State of Michigan.
- As of June 30, 2025, the Academy had a net position of \$429,912 as compared to \$370,770 at June 30, 2024.

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, 2025

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 16 of this report.

BARACK OBAMA LEADERSHIP ACADEMY

Management's Discussion and Analysis (MD&A) (Continued) **June 30, 2025**

ACADEMY-WIDE FINANCIAL ANALYSIS

The Academy's net position was \$429,912 at June 30, 2025. This amount represents net investment in capital assets of \$629,303, restricted net position of \$57,796 and an unrestricted net deficit of \$257,187. The Academy's net position was \$370,770 at June 30, 2024 and of this amount \$690,121 represented net investment in capital assets.

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

	June 30, 2025	June 30, 2024
Assets		
Current Assets	\$ 960,553	\$ 834,259
Capital Assets, Net of Depreciation	884,543	690,121
Total Assets	<u>1,845,096</u>	<u>1,524,380</u>
Liabilities		
Current Liabilities	1,231,832	1,153,610
Lease Obligation - Noncurrent	183,352	-
Total Liabilities	<u>1,415,184</u>	<u>1,153,610</u>
Net Position		
Net Investment in Capital Assets	629,303	690,121
Restricted	57,796	23,133
Unrestricted	(257,187)	(342,484)
Total Net Position	<u>\$ 429,912</u>	<u>\$ 370,770</u>

BARACK OBAMA LEADERSHIP ACADEMY

Management's Discussion and Analysis (MD&A) (Continued) June 30, 2025

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 presentation of the Academy's revenues and expenses for the years ended June 30, 2025 and 2024:

	2025	2024
Revenue		
State Aid Formula Grants	\$ 3,389,008	\$ 3,003,034
Other Revenue	176,511	31,069
Operating Grants and Contributions	<u>1,742,234</u>	<u>1,680,383</u>
Total Revenues	<u>5,307,753</u>	<u>4,714,486</u>
Functions/Program Expenses		
Basic Instruction	1,086,631	1,254,765
Instruction - Added Needs	384,722	312,347
Supporting Services		
Pupil Support Services	407,402	431,289
Instructional Staff Services	271,563	488,421
General Administration Services	519,577	514,202
School Administration Services	161,362	167,090
Business Services	221,914	223,865
Operations and Maintenance	681,194	382,700
Central Services	842,067	805,476
Transportation	188,758	246,223
Support Services - Other	18,650	15,400
Depreciation Expenses (Unallocated)	108,329	122,852
Community Services	25,717	36,732
Food Services	330,725	318,691
Other Uses - Withholding of Prior Year Revenue	<u>-</u>	<u>65,283</u>
Total Expenses	<u>5,248,611</u>	<u>5,385,336</u>
Change in Net Position	<u>\$ 59,142</u>	<u>\$ (670,850)</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:

Functions/Programs	2025		2024	
	Expenditure	Percent	Expenditure	Percent
Governmental Expenditures				
Instructional Expenditures	\$ 1,471,353	27%	\$ 1,567,112	30%
Support Services	3,688,466	67%	3,363,262	64%
Food Services	<u>330,725</u>	<u>6%</u>	<u>318,691</u>	<u>6%</u>
Total Governmental Expenditures	<u>\$ 5,490,544</u>	<u>100%</u>	<u>\$ 5,249,065</u>	<u>100%</u>

BARACK OBAMA LEADERSHIP ACADEMY

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

June 30, 2025

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 \$25,322 greater than budget or approximately 0.51%.
- The total budgeted expenses compared to actual expenses varied from line item to line item with the ending actual expenses being \$85,478 less than budget or approximately 2%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2025, the Academy had capital assets of \$884,543, net of accumulated depreciation and amortization, including building and improvements, furniture and equipment leased vehicles compared to \$690,121 at June 30, 2024.

Debt

As of June 30, 2025, the Academy had no outstanding long-term debt obligations other than outstanding lease obligations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Academy considers many factors when setting the Academy's 2025-2026 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 2025-26 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 2025 based on an enrollment estimate of 310 students in the Fall of 2025.

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 310 students is in line with the estimate used to create the budget. The Academy currently has approximately 290 students enrolled as of fall count day. The Academy will have to modify the budget to account for the number of students currently enrolled.

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 forecast revenues.

BARACK OBAMA LEADERSHIP ACADEMY

Management's Discussion and Analysis (MD&A) (Continued)
June 30, 2025

REQUESTS FOR INFORMATION

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

BARACK OBAMA LEADERSHIP ACADEMY

Statement of Net Position June 30, 2025

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 3)	\$ 14,456
Due From Other Governmental Units (Note 4)	946,097
Capital Assets, Net of Accumulated Depreciation (Note 5)	<u>884,543</u>
Total Assets	<u>1,845,096</u>
LIABILITIES	
Accounts Payable	16,944
Accrued Liabilities	449,160
Cash Overdraft (Note 3)	124,339
Unearned Revenue (Note 1)	502,926
State Aid Anticipation Note (Note 8)	66,575
Lease Obligation, Current Portion (Note 7)	<u>71,888</u>
Total Current Liabilities	<u>1,231,832</u>
Lease Obligation, net of Current Portion (Note 7)	<u>183,352</u>
Total Long Term Liabilities	<u>183,352</u>
Total Liabilities	<u>1,415,184</u>
NET POSITION	
Net Investment in Capital Assets	629,303
Restricted (Note 1)	57,796
Unrestricted	<u>(257,187)</u>
Total Net Position	<u>\$ 429,912</u>

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

BARACK OBAMA LEADERSHIP ACADEMY

Statement of Activities Year Ended June 30, 2025

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	\$ 1,086,631	\$ -	\$ 716,980	\$ (369,651)	
Instruction - Added Needs	384,722	-	315,772	(68,950)	
Supporting Services					
Pupil Support Services	407,402	-	-	(407,402)	
Instructional Staff Services	271,563	-	226,864	(44,699)	
General Administration Services	519,577	-	-	(519,577)	
School Administration Services	161,362	-	122,763	(38,599)	
Business Services	221,914	-	-	(221,914)	
Operations and Maintenance	681,194	-	-	(681,194)	
Central Services	842,067	-	-	(842,067)	
Transportation	188,758	-	-	(188,758)	
Support Services - Other	18,650	-	-	(18,650)	
Community Services	25,717	-	-	(25,717)	
Depreciation Expenses	108,329	-	-	(108,329)	
Food Services	330,725	-	359,855	29,130	
Total Governmental Activities	5,248,611	-	1,742,234	(3,506,377)	
General Revenues					
State Aid - Formula Grants				3,389,008	
Other Revenue				176,511	
Total General Revenues				3,565,519	
Change in Net Position				59,142	
Net Position - July 1, 2024				370,770	
Net Position - June 30, 2025				\$ 429,912	

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

BARACK OBAMA LEADERSHIP ACADEMY

Governmental Funds
Balance Sheet
June 30, 2025

	General Fund	Non-Major Fund School Service Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents (Note 3)	\$ -	\$ 14,456	\$ 14,456
Due From Other Governmental Units (Note 4)	902,757	43,340	946,097
Total Assets	\$ 902,757	\$ 57,796	\$ 960,553
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 16,944	\$ -	\$ 16,944
Accrued Liabilities	449,160	-	449,160
State Aid Anticipation Note (Note 8)	66,575	-	66,575
Cash Overdraft (Note 3)	124,339	-	124,339
Unearned Revenue (Note 1)	502,926	-	502,926
Total Liabilities	1,159,944	-	1,159,944
Deferred Inflows of Resources			
Unavailable Revenue (Note 1)	38,088	-	38,088
Total Deferred Inflows of Resources	38,088	-	38,088
Fund Balance (Deficit) (Note 1)			
Restricted (Note 1)	-	57,796	57,796
Unassigned	(295,275)	-	(295,275)
Total Fund Balance (Deficit)	(295,275)	57,796	(237,479)
Total Liabilities, Deferred Inflows of Resources and Fund Balance (Deficit)	\$ 902,757	\$ 57,796	\$ 960,553

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, 2025

Total Fund Balances - Governmental Funds	\$ (237,479)
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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	1,230,167
Accumulated depreciation and amortization	<u>(600,864)</u>
	629,303

Right-to-Use Leased Assets are not Financial Resources and are not included in the Funds

Right-to-use Leased Assets	302,751
Accumulated Amortization	(47,511)
Lease Liability	(255,240)

Revenues received more than 60 days after year-end are recorded as deferred inflows of resources on the balance sheet

38,088

Total Net Position - Governmental Activities	<u>\$ 429,912</u>
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BARACK OBAMA LEADERSHIP ACADEMY

Statement of Revenues, Expenditures and Changes in Fund Balance Year Ended June 30, 2025

	General Fund	Non-Major Fund School Service Fund	Total Governmental Funds
REVENUE			
Federal Sources	\$ 520,556	\$ 364,434	\$ 884,990
State Sources	4,221,323	954	4,222,277
Local Sources	176,511	-	176,511
Total Revenue	4,918,390	365,388	5,283,778
EXPENDITURES			
Basic Instruction	1,086,631	-	1,086,631
Instruction - Added Needs	384,722	-	384,722
<u>Supporting Services:</u>			
Pupil Support Services	407,402	-	407,402
Instructional Staff Services	271,563	-	271,563
General Administration Services	519,577	-	519,577
School Administration Services	161,362	-	161,362
Business Services	221,914	-	221,914
Operations and Maintenance	728,705	-	728,705
Central Services	842,067	-	842,067
Transportation	491,509	-	491,509
Other Support Service	18,650	-	18,650
Community Services	25,717	-	25,717
Food Service	-	330,725	330,725
Total Expenditures	5,159,819	330,725	5,490,544
Excess (Deficiency) of Revenue Over Expenditures	(241,429)	34,663	(206,766)
Other Financing Sources (Uses)			
Financing of New Leases (Note 7)	302,751	-	302,751
Total Other Financing Sources (Uses)	302,751	-	302,751
Net Change in Fund Balance	61,322	34,663	95,985
Fund Balance (Deficit) - July 1, 2024	(356,597)	23,133	(333,464)
Fund Balance (Deficit) - June 30, 2025	\$ (295,275)	\$ 57,796	\$ (237,479)

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

BARACK 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, 2025

Net Change in Fund Balances (Deficit) - Total Governmental Funds	\$ 95,985
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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	(60,818)
Amortization of Right to-Use Leased Assets	(47,511)
Principal Payments on Leased Asset	47,511

Amounts recognized as revenue in the statement of Activities that were reported as unavailable revenue in the governmental funds in the prior year

	(14,113)
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Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds

	<u>38,088</u>
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Change in Net Position - Governmental Activities	<u><u>\$ 59,142</u></u>
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BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements
June 30, 2025

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.

The Academy has a three-year contract with the Detroit Public Schools Community District (DPSCD) to Charter a Public School Academy that is effective through June 30, 2025. The Contract has been extended through June 30, 2026. 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, 2025 to DPSCD was approximately \$111,000.

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.

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements (Continued) June 30, 2025

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

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.

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, 2025

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, 2025.

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 \$0 deferred inflows of resources at June 30, 2025.

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, 2025, the Academy had \$502,926 in unearned revenue.

Compensated Absences – A Liability for compensated absences would be reported in the academy-wide statements and consists 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, 2025.

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.

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements (Continued) June 30, 2025

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 \$57,796 at June 30, 2025.
- 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 and office equipment. 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.

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements (Continued) June 30, 2025

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.

Leased assets are reported with capital assets and lease liabilities are reported with long-term debt 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.

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 \$369,312 below the final amended budget. The individual lines which expenses exceeded the budget are shown below.

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Expenditures				
<u>Instructional Services</u>				
Basic Programs	\$1,072,442	\$1,072,021	\$1,086,631	\$ 14,610
Instructional Staff Services	279,600	242,301	271,563	29,262
School Administration Services	112,352	108,008	161,362	53,354
Other Central Support	753,395	726,956	842,067	115,111
Pupil Transportation Services	233,900	179,292	491,509	312,217
Community Services	33,504	23,999	25,717	1,718

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements (Continued) **June 30, 2025**

2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Fund Deficit – At June 30, 2025, the Academy had an unassigned fund deficit in the General Fund of \$295,275. The Academy will be required to submit a deficit elimination plan with the State of Michigan.

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, 2025.

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, 2025, the Academy does not have any investments.

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 \$532,251, out of which \$282,251 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, 2025.

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements (Continued) June 30, 2025

3) DEPOSITS AND INVESTMENTS (Continued)

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 \$690,667 from State sources and \$255,430 from Federal grants.

5) CAPITAL ASSETS

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

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
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	302,751	314,327	302,751
Subtotal	1,544,494	302,751	314,327	1,532,918
Accumulated Depreciation:				
Buildings & Improvements	142,704	36,737	-	179,441
Furniture and Equipment	397,342	24,081	-	421,423
Right-to-use Asset - Vehicles	314,327	47,511	314,327	47,511
Subtotal	854,373	108,329	314,327	648,375
Net Governmental Capital Assets	\$ 690,121	\$ 194,422	\$ -	\$ 884,543

Total depreciation and amortization expense was \$108,329 for the year ended June 30, 2025. 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, 2025. 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 DPSACD.

Compensation for the year ended June 30, 2025 was approximately \$375,000.

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements (Continued) **June 30, 2025**

7) LEASE OBLIGATION

The Academy entered into a lease agreement with Hoekstra Equipment Leasing, on September 20, 2024, for one bus. The lease term expires on May 31, 2028. In addition, the Academy entered into another lease with Hoekstra Equipment Leasing, on November 12, 2024, for two buses, with a lease term ending on June 30, 2028.

The Academy also entered into an equipment lease agreement with Elite Imaging Systems, Inc. on January 1, 2025, for office equipment. This lease will expire on January 31, 2030.

The Academy recorded the buses and equipment lease as a right to use leased asset. It is amortized on a straight-line basis over the terms of the related lease.

This lease agreement qualifies as other than short-term lease under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. There are no variable payment components in the lease. The liability for the lease is measured at a discount rate between 3.46% - 4.33%

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2025, were as follows:

Right-to-Use Asset	Fiscal Year	Principal Amount	Interest Amount	Total
Bus Lease	2026	\$ 26,313	\$ 2,331	\$ 28,644
	2027	27,238	1,406	28,644
	2028	25,808	449	26,257
	Sub-Total	<u>79,359</u>	<u>4,186</u>	<u>83,545</u>
Two Buses	2026	26,424	3,036	29,460
	2027	27,580	1,880	29,460
	2028	28,786	673	29,459
	Sub-Total	<u>82,790</u>	<u>5,589</u>	<u>88,379</u>
Equipment Lease	2026	19,151	3,654	22,805
	2027	19,997	2,808	22,805
	2028	20,880	1,925	22,805
	2029	21,803	1,002	22,805
	2030	11,260	143	11,403
	Sub-Total	<u>93,091</u>	<u>9,532</u>	<u>102,623</u>
Grand Total		<u>\$ 255,240</u>	<u>\$ 19,307</u>	<u>\$ 274,547</u>

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements (Continued) June 30, 2025

7) LEASE OBLIGATION (Continued)

Right-to-Use Asset	Balance 6/30/2024	Increase	Decrease	Balance 6/30/2025	Current Portion
Bus Lease	\$ -	\$ 100,603	\$ 21,244	\$ 79,359	\$ 26,313
Two Busess Lease	-	99,788	16,998	82,790	26,424
Equipment Lease	-	102,360	9,269	93,091	19,151
	<u>\$ -</u>	<u>\$ 302,751</u>	<u>\$ 47,511</u>	<u>\$ 255,240</u>	<u>\$ 71,888</u>

8) STATE AID ANTICIPATION NOTE

In August 2024, the Academy borrowed \$357,000 at 5.90 percent annual interest on a state aid anticipation note. Proceeds from the note were used to fund school operations. The unpaid balance totals \$66,575 at June 30, 2025. The note was fully paid subsequent to year end.

9) GOING CONCERN AND MANAGEMENT'S PLAN

Although there was an increase in the General fund balance of \$61,322 for the year ended June 30, 2025, the Academy still has a general fund deficit of \$295,275. Additionally, the reduction in the deficit was less than the budgeted reduction of \$211,476 included in the Academy's deficit elimination plan. These conditions and events give rise to the assessment of substantial doubt about the Academy's ability to continue for a reasonable period of time after June 30, 2025. Management's plans to reduce the deficit existing at June 30, 2025 include the following:

As of June 30, 2025, management acknowledges the existing deficit and has developed a comprehensive plan aimed at reducing this deficit through a combination of cost-cutting measures, revenue enhancements, and strategic initiatives.

1. Cost Reduction Initiatives:

- Operational Efficiency: Conduct a thorough review of all operational processes to identify areas for cost savings. This includes renegotiating supplier contracts and reducing unnecessary expenditures.
- Staffing Optimization: Evaluate staffing levels and reassign resources where necessary. This may also involve implementing a hiring freeze for non-essential positions.

2. Revenue Enhancement Strategies:

- Grant Applications: Actively seek out grants from federal, state, and private sources to support educational programs and projects, focusing on areas with specific funding opportunities.
- Fundraising Initiatives: Launch targeted fundraising campaigns involving parents, alumni, and local businesses to support specific school programs and overall financial health.

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements (Continued) **June 30, 2025**

9) GOING CONCERN AND MANAGEMENT'S PLAN (Continued)

2. Revenue Enhancement Strategies (Continued):
 - Increase Community Engagement-Foster stronger relationships with community stakeholders to boost local sponsorships and donations, emphasizing the benefits of supporting local education.
3. Program Evaluation and Adjustment:
 - Review Current Programs: Assess the effectiveness and viability of existing programs and extracurricular activities. Consider eliminating or modifying programs that do not meet strategic goals or show low participation rates.
 - Focus on High-Impact Areas: Prioritize funding and resources for programs that directly contribute to student success and learning outcomes, ensuring that limited resources are allocated where they can have the greatest impact.
4. Financial Oversight and Accountability:
 - Regular Financial Reviews: Implement a system for regular financial reporting and accountability measures to track progress towards deficit reduction targets. This includes monthly budget updates and quarterly reviews with the finance committee.
 - Stakeholder Updates: Keep all stakeholders informed through regular updates about the financial status, deficit reduction progress, and any necessary adjustments to the action plan.
5. Long-Term Strategic Planning:
 - Develop a Sustainable Financial Model: Look ahead to create a long-term financial plan that includes balanced budgets, reduced dependence on unpredictable funding sources, and the establishment of reserve funds to buffer future financial challenges.
 - Engage in Community Dialogue: Host forums to engage with parents, staff, and community members about financial challenges, inviting their input and support in developing solutions.

By implementing these strategies, management aims to achieve a balanced budget and significantly reduce the deficit by the end of the fiscal year 2026. Continuous tracking and adjustment will be essential to ensure the effectiveness of these plans.

10. SUBSEQUENT EVENTS

The Academy has evaluated all subsequent events through November 13, 2025, the date the financial statements were available to be issued. No items were noted requiring disclosure in this report except as noted below.

On August 10, 2025, the Academy obtained a state aid anticipation note in the amount of \$310,000. The note carries interest of 5.95% and the final payment is due August 20, 2026.



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

To the Board of Directors of
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 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, 2025, 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 13, 2025.

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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified deficiencies in internal control that we consider to be material weaknesses that are identified as items 2025-001 through 2025-003 in the accompanying schedule of findings and responses.

Independent Auditors 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 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 did disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2025-002 and 2025-003

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 responses. 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 L. Young, AIAO

Detroit, Michigan
November 13, 2025

BARACK OBAMA LEADERSHIP ACADEMY

Schedule of Findings and Responses June 30, 2025

SECTION I – FINANCIAL STATEMENT AUDIT FINDINGS

Reference Number	Findings
2025-001	<p>Finding Type – Material Weakness</p> <p>Condition and Description – During our audit, we noted certain matters that collectively constituted a material weakness in internal control over financial reporting. As a result, there is a risk of errors not being detected, or not being detected on a timely basis.</p> <ul style="list-style-type: none">• Adjustments were made to the general ledger to properly state account balances.• Bank reconciliations were not performed on a timely basis.• During our review of the financial records, we noted that the Academy's reported revenues were overstated in the general ledger. Specifically, certain revenue transactions were recorded without actual receipt of funds or were duplicated due to timing or posting errors. <p>Recommendation – We recommend that the Academy continue their efforts to improve their accounting function, improve their process for maintaining their general ledger and account reconciliations and improve the review process for all grant related journal entries before closing the books. Additionally, a review process should be implemented where reconciliations are reviewed and approved monthly. This will improve the accuracy of interim reporting and reduce the number of adjusting entries at the end of the year.</p> <p>View of Responsible Officials and Corrective Action Plan – The Academy will continue to work with the Management Company that started on July 1, 2024. The Academy will maintain and reconcile the general accounts, including monthly adjustments. In addition, the general ledger account balances will be reconciled to reflect the Academy's account balances. The Academy will provide month-end reports to the Board of Directors and the Management company that show how the Academy reconciles primary accounts appropriately and on time. The Academy will continue to collaborate with a financial consultant to help the Academy's finance office with compliance and procedural tasks.</p>

BARACK OBAMA LEADERSHIP ACADEMY

Schedule of Findings and Responses (Continued) June 30, 2025

SECTION I – FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

Reference Number	Findings
2025-002	<p>Finding Type – Material Weakness, Material Noncompliance - Deficit Fund Balance/Going Concern</p> <p>Criteria – The Michigan Department of Education MCL 380.1220 (1) does not allow for Academy's receiving State funds under the act to operate under a deficit.</p> <p>Condition and Description – The General Fund has an unassigned deficit balance of \$295,275 as of June 30, 2025.</p> <p>Cause/Effect – The Academy had a deficit in fund balance that built up in prior years. There was a reduction in the fund deficit during the year but it was still \$295,275 at June 30, 2025.</p> <p>Recommendation – The Academy should work diligently to implement and follow a deficit elimination plan to ensure both the short-term and long-term viability of the Academy.</p> <p>View of Responsible Officials and Planned Corrective Action –</p> <ol style="list-style-type: none">1. Cost Reduction Initiatives:<ul style="list-style-type: none">• Operational Efficiency: Conduct a thorough review of all operational processes to identify areas for cost savings. This includes renegotiating supplier contracts and reducing unnecessary expenditures.• Staffing Optimization: Evaluate staffing levels and reassign resources where necessary. This may also involve implementing a hiring freeze for non-essential positions.2. Revenue Enhancement Strategies:<ul style="list-style-type: none">• Grant Applications: Actively seek out grants from federal, state, and private sources to support educational programs and projects, focusing on areas with specific funding opportunities.• Fundraising Initiatives: Launch targeted fundraising campaigns involving parents, alumni, and local businesses to support specific school programs and overall financial health.• Increase Community Engagement-Foster stronger relationships with community stakeholders to boost local sponsorships and donations, emphasizing the benefits of supporting local education.3. Program Evaluation and Adjustment:<ul style="list-style-type: none">• Review Current Programs: Assess the effectiveness and viability of existing programs and extracurricular activities. Consider eliminating or modifying programs that do not meet strategic goals or show low participation rates.• Focus on High-Impact Areas: Prioritize funding and resources for programs that directly contribute to student success and learning outcomes, ensuring that limited resources are allocated where they can have the greatest impact.

BARACK OBAMA LEADERSHIP ACADEMY

Schedule of Findings and Responses (Continued)

June 30, 2025

SECTION I – FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

Reference Number	Findings
2025-002 (Continued)	<p>View of Responsible Officials and Planned Corrective Action –</p> <p>4. Financial Oversight and Accountability:</p> <ul style="list-style-type: none">• Regular Financial Reviews: Implement a system for regular financial reporting and accountability measures to track progress towards deficit reduction targets. This includes monthly budget updates and quarterly reviews with the finance committee.• Stakeholder Updates: Keep all stakeholders informed through regular updates about the financial status, deficit reduction progress, and any necessary adjustments to the action plan. <p>5. Long-Term Strategic Planning:</p> <ul style="list-style-type: none">• Develop a Sustainable Financial Model: Look ahead to create a long-term financial plan that includes balanced budgets, reduced dependence on unpredictable funding sources, and the establishment of reserve funds to buffer future financial challenges.• By implementing these strategies, management aims to achieve a balanced budget and significantly reduce the deficit by the end of the fiscal year 2026. Continuous tracking and adjustment will be essential to ensure the effectiveness of these plans.

BARACK OBAMA LEADERSHIP ACADEMY

Schedule of Findings and Responses (Continued) June 30, 2025

SECTION I – FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

Reference Number	Findings
2025-003	<p>Finding Type – Material Weakness and Material Non-Compliance</p> <p>Criteria – Per the Michigan Department of Education (MDE) and the State School Aid Act, public school academies are required to submit their annual audited financial statements to both MDE and their authorizer by November 1st for a June 30 year-end. Timely submission ensures compliance with reporting requirements and prevents interruptions in state aid payments.</p> <p>Condition and Description – The financial audit report for the fiscal year ended June 30, 2025, was not submitted to the Michigan Department of Education (MDE) and the authorizing body by the required due date. The report was submitted after the statutory deadline.</p> <p>Cause/Effect – The delay occurred due to delays in obtaining necessary supporting documentation. The late submission of the audit report resulted in noncompliance with MDE reporting requirements and may lead to potential delays or interruptions in State School Aid payments.</p> <p>Recommendation – The Academy should implement measures and strengthen procedures to ensure the timely completion and submission of the financial audit report, specifically establish an internal closing schedule aligned with the state's reporting deadlines and maintain all required financial information and supporting documentation promptly for review.</p> <p>View of Responsible Officials and Planned Corrective Action – Establish a strict internal closing schedule that aligns with the state's reporting deadlines.</p> <ul style="list-style-type: none">• Ensure that all required financial information and supporting documentation are readily available for review without delay.• Assign clear responsibilities to team members for each stage of the audit process to enhance accountability.• Conduct regular progress meetings to monitor timelines and address any potential delays proactively.• Establish a contingency plan for unexpected issues that may arise, ensuring minimal disruption to the audit timeline.

REQUIRED SUPPLEMENTAL INFORMATION

BARACK OBAMA LEADERSHIP ACADEMY

Budgetary Comparison Schedule General Fund Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Federal Sources	\$ 611,845	\$ 685,482	\$ 520,556	\$ (164,926)
State Sources	4,228,194	4,174,050	4,221,323	47,273
Local Sources	33,536	33,536	176,511	142,975
Total Revenue	4,873,575	4,893,068	4,918,390	25,322
Expenditures				
Instructional Services				
Basic Programs	1,072,442	1,072,021	1,086,631	14,610
Added Needs	549,290	540,919	384,722	(156,197)
Supporting Services:				
Pupil Support Services	310,000	447,086	407,402	(39,684)
Instructional Staff Services	279,600	242,301	271,563	29,262
General Administration Services	577,401	523,953	519,577	(4,376)
School Administration Services	112,352	108,008	161,362	53,354
Business Services	200,515	222,283	221,914	(369)
Operation and Maintenance	524,300	732,190	728,705	(3,485)
Other Central Support	753,395	726,956	842,067	115,111
Pupil Transportation Services	233,900	179,292	491,509	312,217
Athletics	15,400	23,142	18,650	(4,492)
Community Services	33,504	23,999	25,717	1,718
Food Services	403,147	403,147	-	(403,147)
Total Expenditure	5,065,246	5,245,297	5,159,819	(85,478)
Excess of Revenue over Expenditures	(191,671)	(352,229)	(241,429)	110,800
Other Financing Sources (Uses)				
Financing of New Leases (Note 7)	-	-	302,751	302,751
Net Change in Fund Balance	\$ (191,671)	\$ (352,229)	61,322	\$ 413,551
Fund Balance - July 1, 2024			(356,597)	
Fund Balance - June 30, 2025			\$ (295,275)	