

THE CLAIRMOUNT GROUP, PLC

Certified Public Accountants

Detroit Achievement Academy

(A Michigan Public School Academy)

Financial Statements

For the Year Ended

June 30, 2014

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THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Detroit Achievement Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Detroit Achievement Academy as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Detroit Achievement Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Detroit Achievement Academy as of June 30, 2014, and the respective changes in financial position, and,

where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Detroit Achievement Academy's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2014, on our consideration of Detroit Achievement Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Detroit Achievement Academy's internal control over financial reporting and compliance.

The Clairmont Group P.C.

October 8, 2014
Detroit, MI 48226



THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

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

To the Board of Directors of
Detroit Achievement Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Detroit Achievement Academy, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Detroit Achievement Academy's basic financial statements, and have issued our report thereon dated October 8, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Detroit Achievement Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Detroit Achievement Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Detroit Achievement Academy's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Detroit Achievement Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

This section of Detroit Achievement Academy (the Academy) Annual Financial Report presents discussion and analysis of the Academy's financial performance during the year ended June 30, 2014. It should be read in conjunction with the Academy's financial statements, which immediately follow this section.

The Clairbound Group, PLLC

October 8, 2014
Detroit, MI 48226

Detroit Achievement Academy Management's Discussion and Analysis

Using this Annual Report

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

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

Basic Financial Statements
Government-wide Financial Statements- Fund Financial Statements
Notes to the Basic Financial Statements
(Required Supplementary Information)
Budgetary Information for Major Fund
Other Supplementary Information

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

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Academy's net assets- the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the Academy's financial position. Over time, increases or decreases in the Academy's net assets – as reported in the statement of activities –are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to other students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of education provided and the safety of the school, to assess the overall health of the Academy.

The statement of net assets and the statement of activities report the governmental activities for the Academy, which encompasses all of the Academy's services, including instruction, support services, and athletics. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

**Detroit Achievement Academy
Management's Discussion and Analysis (continued)**

Our discussion and analysis of Detroit Achievement Academy's (DAA) financial performance provides an overview of the Academy's financial activities for the fiscal year ended June 30, 2014.

Functions/Programs	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental Activities			
Instruction	\$ 347,021	\$ 45,947	\$ (301,074)
Support Services	444,393	-	(444,393)
Food Service	<u>52,043</u>	<u>32,677</u>	<u>(19,366)</u>
Total Governmental Activities	<u>\$ 843,457</u>	<u>\$ 78,624</u>	<u>(764,833)</u>
General Purpose Revenues			
State School Aid - Unrestricted			277,760
Miscellaneous			<u>550,568</u>
			<u>828,328</u>
Change in Net Position			63,495
Net Position - July 1			-
Net Position - June 30			<u>\$ 63,495</u>
Functions/Programs	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental Activities			
Instruction	\$ 347,021	\$ 45,947	\$ (301,074)
Support Services	444,393	-	(444,393)
Food Service	<u>52,043</u>	<u>32,677</u>	<u>(19,366)</u>
Total Governmental Activities	<u>\$ 843,457</u>	<u>\$ 78,624</u>	<u>(764,833)</u>
General Purpose Revenues			
State School Aid - Unrestricted			277,760
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			<u>828,328</u>
Change in Net Position			63,495
Net Position - July 1			-
Net Position - June 30			<u>\$ 63,495</u>

**Detroit Achievement Academy
Management's Discussion and Analysis (continued)**

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

The financial statements provide the following insight about the result of this year's operations. The financial condition of the governmental funds increased by \$80,301 in the Academy's first year of operation.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

Detroit Achievement Academy's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments and resultant staffing requirements are known. During the fiscal year ending June 30, 2014, the Academy amended the budget for its General Fund one time to reflect a change in revenues and/or expenditures due to enrollment being lower than anticipated and local revenue being higher than anticipated.

General Fund

In the general fund, revenues for the year totaled \$874,275. Actual revenues totaled more than the final amended budgeted amount of \$730,000; a positive variance of 19.8%. The actual expenditures of the general fund were \$791,858. This amount totals more than the final amended budgeted amount of \$697,685.

General Fund revenues and other financing sources totaled \$891,525 and expenditures and other financing uses were \$811,224 for the 2013-14 fiscal year. Fund balance increased by \$80,301 at June 30, 2014. The ending fund balance for the fiscal year ended June 30, 2014 is \$80,301.

GOVERNMENTAL FUND EXPENDITURES

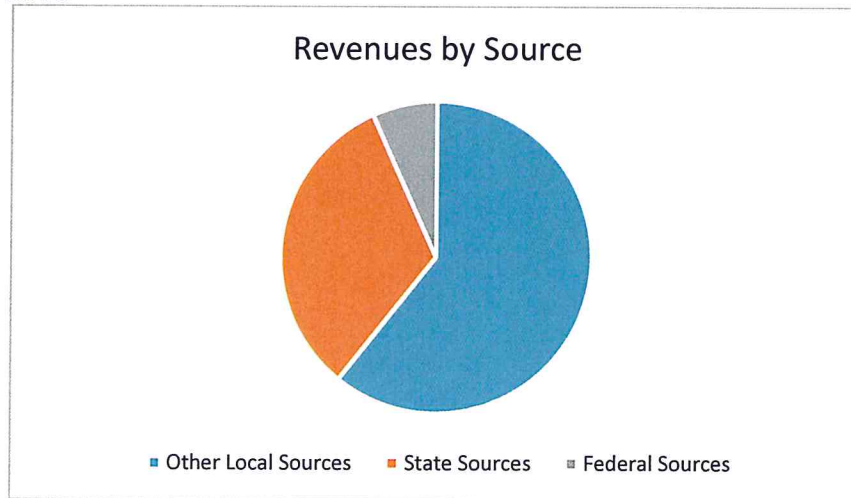
The general fund comprises 93% of all the expenditures within the governmental funds of Detroit Achievement Academy. As of June 30, 2014, expenditures totaled \$843,902 for all Academy programs.

	June 30, 2014	<u>Of TOTAL</u>
General Fund	\$791,858	94%
Other Non-major Funds	<u>52,043</u>	<u>6%</u>
Total	<u>\$843,901</u>	<u>100%</u>

**Detroit Achievement Academy
Management's Discussion and Analysis (continued)**

TOTAL REVENUES

Revenues for all governmental funds totaled \$906,953. The following graph illustrates the percentage of revenues by source:



Unrestricted State Aid

The Academy's operating costs are predominately funded by local donations and grants as well as State Aid which is based on a per-pupil allowance. The per-pupil foundation allowance totaled \$277,760. State Aid membership was computed in the 2013-14 school year with a blended count of 10% of the February 2014 and 90% of the September 2013 counts.

Detroit Achievement Academy Management's Discussion and Analysis (continued)

ENROLLMENT

The Academy's 2013-14 State Aid Membership totaled 38.75 full-time equivalent students. The Academy's October 2013 count was 34 students. The Academy's February 2014 count was 44 students.

The Academy is located in Northwest Detroit, which is a lower socio-economic area that has a great need for improved educational alternatives. The three traditional/government schools nearest to Detroit Achievement Academy are recognized by Excellent Schools Detroit as failing schools. Detroit Achievement Academy had the highest growth rates in Detroit in 2013-2014, its first year of operation. Detroit Achievement Academy has seen a steady increase in student enrollment since it opened and anticipates that this trend will continue in the future.

Enrollment is important to the financial health of the Academy because State funding is based on a per-pupil formula.

CONTACTING THE SCHOOL ACADEMY'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of Detroit Achievement Academy. If you should desire additional detailed financial program audits, they can be obtained by contacting the following person:

Kyle Smitley at (313) 468 – 9518 or kyle@detroitachievement.org

**Detroit Achievement Academy
Statement of Net Position
June 30, 2014**

Assets

Cash and investments	\$ 89,382
Due from governmental units	55,875
Prepaid costs	<u>22,426</u>
Total assets	<u>\$ 167,683</u>

Liabilities

Accounts payable	87,382
Notes payable	<u>5,020</u>
Total current liabilities	<u>92,402</u>
Notes payable	<u>11,786</u>
Total non-current liabilities	11,786
Total Liabilities	104,188

Net Position

Unrestricted	<u>63,495</u>
Total Net Position	<u>\$ 63,495</u>

The accompanying notes are an integral part of these financial statements

**Detroit Achievement Academy
Statement of Activities
For the Year Ended June 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Assets</u>
Primary government-Governmental Activities:				
Instruction	347,021	-	45,947	(301,074)
Support Services				
Instructional	72,100	-	-	(72,100)
General administration	52,827	-	-	(52,827)
School administration	117,648	-	-	(117,648)
Business administration	16,535	-	-	(16,535)
Operation and maintenance	142,916	-	-	(142,916)
Pupil transportation and services	25,820	-	-	(25,820)
Central services	16,547	-	-	(16,547)
Food service	52,043	-	32,677	(19,366)
Total Governmental Activities	<u>843,457</u>	<u>-</u>	<u>78,624</u>	<u>(764,833)</u>
		General Revenues:		
			State aid not restricted to specific purposes	277,760
			Other Income	550,568
			Total general revenues	<u>828,328</u>
			Change in net position	63,495
			Net Position, Beginning of Year	<u>-</u>
			Net Position, End of Year	<u>\$ 63,495</u>

The accompanying notes are an integral part of these financial statements

**Detroit Achievement Academy
Governmental Fund
Balance Sheet
June 30, 2014**

	General Fund	Nonmajor Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 89,382	\$ -	\$ 89,382
Due from Other Governmental Units	55,875	-	55,875
Prepaid costs	22,426	-	22,426
Total assets	<u>\$ 167,683</u>	<u>\$ -</u>	<u>\$ 167,683</u>
Liabilities			
Accounts payable	\$ 87,382	\$ -	\$ 87,382
Total liabilities	<u>87,382</u>	<u>-</u>	<u>87,382</u>
Fund Balances			
Nonspendable - Prepaid costs	\$ 22,426	\$ -	22,426
Unrestricted	57,875	-	57,875
Total fund balance	<u>80,301</u>	<u>-</u>	<u>80,301</u>
Total liabilities and fund balances	<u>\$ 167,683</u>	<u>\$ -</u>	<u>\$ 167,683</u>

The accompanying notes are an integral part of these financial statements

**Detroit Achievement Academy
Governmental Funds Reconciliation of the Balance Sheet
Of Governmental Funds to the Statement of Net Position
Year Ended June 30, 2014**

Fund Balance Reported in Governmental Funds	\$ 80,301
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds	<u>(16,806)</u>
Total Net Position - Governmental activities	<u>\$ 63,495</u>

The accompanying notes are an integral part of these financial statements

**Detroit Achievement Academy
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2014**

	General Fund	Nonmajor Fund	Total Governmental Funds
Revenues			
Local sources	\$ 555,575	\$ -	\$ 555,575
State sources	295,118	-	295,118
Federal sources	23,582	32,677	56,259
Total revenues	874,275	32,677	906,953
Expenditures			
Current			
Instruction services			
Basica programs	265,033	-	265,033
Added needs	81,987	-	81,987
Total Instruction	347,020	-	347,021
Support services			
Instructional support	72,100	-	72,100
General administration	52,827	-	52,827
School administration	117,648	-	117,648
Business services	16,980	-	16,980
Operation and maintenance	142,916	-	142,916
Transportation service	25,820	-	25,820
Other support services	16,547	-	16,547
Total support services	444,838	-	444,838
Food service	-	52,043	52,043
Total expenditures	791,858	52,043	843,902
Excess (Deficiency) of Revenue Over(Under)			
Expenditures	82,417	(19,366)	63,051
Other Financing Sources(Uses)			
Operating transfers	(19,366)	19,366	-
Other financing sources	17,250	-	17,250
Total other financing sources(uses)	(2,116)	19,366	17,250
Net Change in Fund Balance	80,301	-	80,301
Fund Balances - Beginning of year	-	-	-
Fund Balances - End of year	\$ 80,301	\$ -	\$ 80,301

The accompanying notes are an integral part of these financial statements

**Detroit Achievement Academy
Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014**

Net Change in Fund Balance - Total governmental funds	\$ 80,301
Amounts reported for governmental activities in the statement of activities are different because:	
Repayment of long-term debt is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	444
Proceeds from loans in Other financing Source in Governmental Funds, but not in the Statement of Activities (where it is long-term)	<u>(17,250)</u>
Change in Net Position of Governmental Activities	<u>\$ 63,495</u>

The accompanying notes are an integral part of these financial statements

**Detroit Achievement Academy
Notes to Financial Statements (continued)
June 30, 2014**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Academy was formed as a charter school Academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy was established on July 1, 2012 as a public school Academy. The Academy is located in the metropolitan Detroit area providing education for students in grades kindergarten to eighth grade.

On February 12, 2013 the Academy entered into a seven-year contract with Grand Valley State University to charter Detroit Achievement Academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. Grand Valley State University is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Grand Valley State University 3.0 percent of state aid as administrative fees. The total administrative fees for the year ended June 30, 2014 paid were approximately \$8,421.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Detroit Achievement Academy
Notes to Financial Statements (continued)
June 30, 2014

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, intergovernmental grants, and interest 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.

The Academy reports the following major governmental fund:

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

Additionally, the Academy reports the following fund type:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The Special Revenue Funds are used to segregate, for administrative purposes, the transactions of particular activities from regular revenue and expenditure accounts. The Special Revenue Funds maintained by the Academy account for food services.

Assets, Liabilities and Net Assets or Equity

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

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Accounts receivable are shown net of allowance for uncollectible amounts. Management determines the allowance based on specific review of items where collectability is questionable.

Detroit Achievement Academy
Notes to Financial Statements (continued)
June 30, 2014

Capital Assets - Capital assets, which include building improvements and furniture and equipment, are reported in the applicable governmental column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have capital assets as of June 30, 2014.

Long-term Obligations – In the Academy-wide financial statements, long-term debt is reported as a liability in the statement of position. In the fund financial statements, governmental fund types recognize the face amount of debt issued is reported as other financing sources.

Net Position – Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance – The Academy adopted GASB 54 as part of its fiscal year reporting. The intention of GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

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

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

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

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

Committed: Amounts that have been formally set aside by the Board of the Academy for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of the Academy

Assigned: Intent to spend resources on specific purposes expressed by the board of the Academy or CEO, who is authorized by resolution approved by the board of the Academy to make assignments

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

**Detroit Achievement Academy
Notes to Financial Statements (continued)
June 30, 2014**

Comparative Data - Comparative data is not included in the Academy's financial statements.

Use of Estimates - The preparation of 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 reported in the financial statements and accompanying notes. Actual results may differ from estimates.

NOTE 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 and all Special Revenue Funds. All annual appropriations lapse at fiscal year -end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The Academy increased budgeted amounts during the year in response to changes in enrollment and related revenues and expenditures.

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.

Excess of Expenditures over Appropriations in Budgeted Funds - During the year, the Academy did incur expenditures in the General Fund in excess of budgeted amounts as shown below; however, the Academy budgeted for a positive fund balance of \$32,315 and ended the year with a positive fund balance of \$80,301.

	Final Budget		Actual		Variance
Added needs	\$ 27,857	\$	81,987	\$	54,130
General administration	\$ 47,078	\$	52,827	\$	5,749
Business Support	\$ 4,000	\$	16,980	\$	12,980
Operation and maintenance	\$ 67,000	\$	142,916	\$	75,916
Pupil transportation and services	\$ 22,700	\$	25,820	\$	3,120
Other support services	\$ 15,750	\$	16,547	\$	797

Detroit Achievement Academy
Notes to Financial Statements (continued)
June 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, banker's 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 statutory authority. The Academy has designated two banks for the deposit of its funds.

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

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the Academy's deposits for custodial credit risk. At year end, the Academy's deposit balance of \$89,382 bank deposits of which were insured by FDIC.

Custodial Credit Risk of Investments – Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy does not have an investment policy for custodial credit risk. The Academy does not have investments with custodial risk.

Interest Rate Risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Academy's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. The Academy does not have a policy for 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's investment policy does not further limit its investment choices. At year end, the Academy had no investments.

Concentration of Credit Risk – The Academy places no limit on the amount the Academy may invest in any one issuer. The Academy does not have a policy to minimize concentration of credit risk.

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. State law and the Academy's policy prohibit investment in foreign currency.

**Detroit Achievement Academy
Notes to Financial Statements (continued)
June 30, 2014**

NOTE 4 – RECEIVABLES AND DEFERRED REVENUE

Receivables as of year end for the Academy's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Due from other governmental units	<u>\$ 55,875</u>
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NOTE 5 – LEASES

The Academy entered into a building lease agreement with Bushnell Congregational Church, a Michigan Nonprofit Corporation, to lease approximately 11,513 square feet. The lease is a three (3) year lease that expires on June, 1, 2016. The monthly lease amount is \$10,553. The amount incurred as of June 30, 2014 was \$126,637

NOTE 6 – NOTE PAYABLE

On April 7, 2014, the Academy borrowed \$17,250 from IFF, an Illinois nonprofit corporation. The note bears interest at 5.0 percent and is due April 6, 2017. At June 30, 2014, \$16,806 was outstanding on this note.

NOTE 7 – RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company are covered by insurance held by the management company. The Academy has purchased commercial insurance for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

Note 8 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 8, 2014, which is the date the financial statements were available to be issued. Events occurring after the date have not been evaluated to determine whether a change in the financial statements would be required.

Required Supplemental Information

**Detroit Achievement Academy
Required Supplemental Information
Budget Comparison Schedule - General Fund
June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 285,000	\$ 450,000	\$ 555,575	\$ 105,575
State sources	710,000	250,000	295,118	45,118
Federal sources	-	30,000	23,582	(6,418)
	<u>995,000</u>	<u>730,000</u>	<u>874,275</u>	<u>144,276</u>
Total revenue				
Expenditures				
Current				
Instruction:				
Basic programs	248,000	291,200	265,033	(26,167)
Added needs	20,000	27,857	81,987	54,130
Total instruction	<u>268,000</u>	<u>319,057</u>	<u>347,020</u>	<u>27,964</u>
Support services:				
Pupil Services	100,000	-		
Instructional	85,000	72,100	72,100	-
General administration	35,000	47,078	52,827	5,749
School administration	202,000	150,000	117,648	(32,352)
Business Support	57,000	4,000	16,980	12,980
Operation and maintenance	200,000	67,000	142,916	75,916
Pupil transportation and services	-	22,700	25,820	3,120
Other support services	-	15,750	16,547	797
Total expenditures	<u>947,000</u>	<u>697,685</u>	<u>791,858</u>	<u>94,174</u>
Other financing sources (uses)				
Transfers out	(48,000)	-	(2,116)	(2,116)
Total other financing sources (uses)	<u>(48,000)</u>	<u>-</u>	<u>(2,116)</u>	<u>(2,116)</u>
Excess of Revenue Over (Under)				
Expenditures	-	32,315	80,301	47,986
Fund Balance - Beginning of Year				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance - Ending of Year				
	<u>\$ -</u>	<u>\$ 32,315</u>	<u>\$ 80,301</u>	<u>\$ 47,986</u>