

**DETROIT DELTA PREPARATORY ACADEMY
FOR SOCIAL JUSTICE**

**FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION**

JUNE 30, 2015

DETROIT DELTA PREPARATORY ACADEMY FOR SOCIAL JUSTICE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Detroit Delta Preparatory Academy for Social Justice

We have audited the accompanying financial statements of the governmental activities, and the major fund of Detroit Delta Preparatory Academy for Social Justice (the Academy) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsible 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 of 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 controls relevant to the Academy'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 of the effectiveness of the Academy'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.

Independent Auditor's Report
(Continued)

Auditor's Responsibility (Continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Academy as of June 30, 2015 and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplement Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2015 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 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.



Detroit, Michigan
October 29, 2015

DETROIT DELTA PREPARATORY ACADEMY FOR SOCIAL JUSTICE

Management's Discussion and Analysis (MD&A) June 30, 2015

As management of Detroit Delta Preparatory Academy for Social Justice (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, 2015.

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, 2015, the Academy's fund balance was \$10,422
- This was the Academy's first year of operation. The Academy had received contributions prior to July 1, 2014 of \$16,497 that constitute the beginning fund balance.
- For the year ended June 30, 2015 the Academy's expenses exceeded its revenues by \$6,075.

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) government-wide basic financial statements, 2) fund basic financial statements, and 3) notes to the basic financial statements.

Government-Wide Financial Statements

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

DETROIT DELTA PREPARATORY ACADEMY FOR SOCIAL JUSTICE

Management's Discussion and Analysis (MD&A) (Continued)
June 30, 2015

Fund Financial Statements

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

Governmental Funds

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

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

The Academy maintains one governmental fund, the general fund. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balances. The General Fund is considered to be the Academy's major fund.

The Academy adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

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 basic financial statements can be found on pages 7 through 13 of this report.

DETROIT DELTA PREPARATORY ACADEMY FOR SOCIAL JUSTICE

Management's Discussion and Analysis (MD&A) (Continued)
June 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the Academy's first year of operations; therefore, comparative government-wide data is not presented. The Academy's net position was \$10,422 at June 30, 2015

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

Governmental Activities

The results of the operations for the Academy as a whole are reported in the statements of net position and activities on pages 1 and 2. The table below provides a condensed presentation of the Academy under the full accrual basis.

	<u>June 30, 2015</u>
Assets	
Current and Other Assets	\$ 113,326
Total Assets	<u>113,326</u>
Liabilities	
Current Liabilities	<u>102,904</u>
Total Liabilities	<u>102,904</u>
Net Position	
Unrestricted	<u>10,422</u>
Total Net Position	<u>\$ 10,422</u>

DETROIT DELTA PREPARATORY ACADEMY FOR SOCIAL JUSTICE

Management's Discussion and Analysis (MD&A) (Continued)
June 30, 2015

Governmental Activities - (Continued)

	<u>June 30, 2015</u>
Revenue:	
General Revenues	\$ 926,176
Program Revenues	155,202
Total Revenues	<u>1,081,378</u>
Functions/Program Expenses:	
Instruction	333,877
Instruction Support Services	753,576
Total Expenses	<u>1,087,453</u>
Change in Net Position (Deficit)	<u>\$ (6,075)</u>

GOVERNMENTAL FUND EXPENDITURES

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

<u>Functions/Programs</u>	<u>2015</u>	
	<u>Expenditure</u>	<u>Percent</u>
Governmental Expenditures:		
Instructional Expenditures	\$ 333,877	32%
Pupil Support Services	68,692	7%
Instructional Staff Services	43,842	4%
General Administration	17,193	<1%
School Administration Services	184,385	17%
Business	14,706	1%
Operations and Maintenance	369,375	34%
Central Services	50,055	5%
All Other Functions/Programs	5,328	<1%
Total Governmental Expenditures	<u>\$ 1,087,453</u>	<u>100%</u>

DETROIT DELTA PREPARATORY ACADEMY FOR SOCIAL JUSTICE

Management's Discussion and Analysis (MD&A) (Continued)
June 30, 2015

BUDGET

- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual revenue being \$173,519 more than the final budget, or approximately 19%.
- General fund budgeted expenses compared to actual expenses varied from line item to line item with the ending actual expenses being \$226,981 more than the budget, or approximately 26%.
- The primary reason total actual revenues and expenses exceeded the budget was \$205,440 recorded as in-kind rent that was not factored into the Academy's final budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the Academy had no capital assets.

Debt

At June 30, 2015, the Academy had no long term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State of Michigan is projecting the per student revenue for the next fiscal year to be \$7,391 compared to \$7,218 during 2015 fiscal year. Revenues and expenditures are budgeted to rise in proportion to the expected growth at the Academy.

REQUESTS FOR INFORMATION

If you have questions about this report or need additional information, please contact Kendell Walton, Financial Manager, Equity Education, 13600 Virgil, Detroit, 48223.

DETROIT DELTA PREPARATORY ACADEMY FOR SOCIAL JUSTICE

Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents (Note 3)	\$ 807
Due From Other Governmental Units (Note 4)	96,519
Deposits	<u>16,000</u>
Total Assets	<u>113,326</u>
Liabilities	
Accounts Payable	67,389
Due to Other Governmental Units (Note 2)	<u>35,515</u>
Total Liabilities	<u>102,904</u>
Net Position	
Unrestricted	<u>10,422</u>
Total Net Position	<u><u>\$ 10,422</u></u>

The accompanying notes are an integral part of these financial statements

DETROIT DELTA PREPARATORY ACADEMY FOR SOCIAL JUSTICE

Statement of Activities Year Ended June 30, 2015

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	\$ 286,199	\$ -	\$ 114,457	\$ (171,742)
Instruction - Added Needs	47,678	-	-	(47,678)
<u>Supporting Services:</u>				
Pupil Support Services	68,692		40,745	(27,947)
Instructional Staff Services	43,842	-	-	(43,842)
General Administration	17,193	-	-	(17,193)
School Administration	184,385	-	-	(184,385)
Business	14,706	-	-	(14,706)
Operations/Maintenance	369,375	-	-	(369,375)
Transportation	180	-	-	(180)
Central	50,055	-	-	(50,055)
Community Service	5,148			(5,148)
Total Governmental Activities	<u>1,087,453</u>	<u>-</u>	<u>155,202</u>	<u>(932,251)</u>
		<u>General Revenues</u>		
				379,151
				547,025
				<u>926,176</u>
				(6,075)
				<u>16,497</u>
				<u>\$ 10,422</u>

The accompanying notes are an integral part of these financial statements

**DETROIT DELTA PREPARATORY
ACADEMY FOR SOCIAL JUSTICE**

**Governmental Funds
Balance Sheet
June 30, 2015**

	General Fund
	<u> </u>
ASSETS	
Cash and Cash Equivalents (Note 3)	\$ 807
Due From Other Governmental Units (Note 4)	96,519
Deposits	<u>16,000</u>
Total Assets	<u><u>\$ 113,326</u></u>
 LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts Payable	\$ 67,389
Due to Other Government Units (Note 2)	<u>35,515</u>
Total Liabilities	<u>102,904</u>
 Fund Balance	
Unassigned	<u>10,422</u>
Total Fund Balance	<u>10,422</u>
 Total Liabilities and Fund Balances	 <u><u>\$ 113,326</u></u>

The accompanying notes are an integral part of these financial statements

**DETROIT DELTA PREPARATORY
ACADEMY FOR SOCIAL JUSTICE**

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2015

Fund Balance - Total Governmental Funds	<u>\$ 10,422</u>
Net Position - Governmental Activities	<u><u>\$ 10,422</u></u>

The accompanying notes are an integral part of these financial statements

**DETROIT DELTA PREPARATORY
ACADEMY FOR SOCIAL JUSTICE**

**Reconciliation of the Government Funds
Statement of Revenue, Expenditures and
Changes in Fund Balance to the
Statement of Activities
Year Ended June 30, 2015**

	General Fund
Revenue	
Federal Sources	\$ 134,194
State Sources	400,159
Local Sources	547,025
Total Revenue	<u>1,081,378</u>
Expenditures	
Basic Instruction	286,199
Instruction - Added Needs	47,678
<u>Supporting Services:</u>	
Pupil support Services	68,692
Instructional Staff Services	43,842
General Administration	17,193
School Administration	184,385
Business	14,706
Operations/Maintenance	369,375
Transportation	180
Central	50,055
Community Service	5,148
Total Expenditures	<u>1,087,453</u>
Net Change in Fund Balance	<u>(6,075)</u>
Fund Balance - July 1, 2014	<u>16,497</u>
Fund Balance - June 30, 2015	<u>\$ 10,422</u>

The accompanying notes are an integral part of these financial statements

**DETROIT DELTA PREPARATORY
ACADEMY FOR SOCIAL JUSTICE**

Reconciliation of the Government Funds
Statement of Revenue, Expenditures and
Changes in Fund Balance to the
Statement of Activities
Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (6,075)</u>
Change in Net Position - Governmental Activities	<u><u>\$ (6,075)</u></u>

The accompanying notes are an integral part of these financial statements

DETROIT DELTA PREPARATORY ACADEMY FOR SOCIAL JUSTICE

**Notes to Financial Statements
June 30, 2015**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Detroit Delta Preparatory Academy for Social Justice (the Academy) conform to generally accepted accounting principles as applicable to schools. The following is a summary of the significant policies:

Reporting Entity

Detroit Delta Preparatory Academy for Social Justice is a nonprofit corporation and a public school academy corporation organized under the Michigan Nonprofit Corporation Act, as amended, Act No. 162 of the Public Acts of 1982, being Sections 450.2101 to 450.3192 of the Michigan Compiled Laws. Notwithstanding any provision of the Michigan Nonprofit Corporation Act, as amended, the Academy shall not take any action inconsistent with the provisions of Part 6A of the Code or other Applicable Law.

On July 1, 2014 the Academy entered into five year contract with Ferris State University Board of Trustees to Charter a Public School Academy. The Ferris State University 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 Ferris State University and the Academy, the Academy pays the Ferris State University Board of Trustees 3 percent of the Academy's State School Aid Payments as an administrative fee. Administrative fees paid for the year ended June 30, 2015 to Ferris State University were approximately \$12,000.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide and Fund Financial Statements

The government-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. The Academy operates one fund, the general fund.

DETROIT DELTA PREPARATORY ACADEMY FOR SOCIAL JUSTICE

Notes to Financial Statements (Continued)
June 30, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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 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.

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

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

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

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 and Payables – 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.

DETROIT DELTA PREPARATORY ACADEMY FOR SOCIAL JUSTICE

Notes to Financial Statements (Continued)
June 30, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Capital Assets – Capital assets, which include 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 \$2,500 and a useful life greater than one year. Such assets are recorded at historical cost. 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. The Academy had no capital assets at June 30, 2015.

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods(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, 2015.

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, deferred inflows of resources, 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 has no deferred inflows of resources at June 30, 2015.

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.

DETROIT DELTA PREPARATORY ACADEMY FOR SOCIAL JUSTICE

Notes to Financial Statements (Continued)
June 30, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (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.
- 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.

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.

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. 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.

DETROIT DELTA PREPARATORY ACADEMY FOR SOCIAL JUSTICE

Notes to Financial Statements (Continued)
June 30, 2015

2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>%Variance</u>
Added Needs	\$ 35,673	\$ 47,678	\$ 12,005	33.7%
Pupil Support Services	67,382	68,692	1,310	1.9%
General Administration	12,805	17,193	4,388	34.3%
Instructional Staff Services	39,219	43,842	4,623	11.8%
School Administration Services	171,303	184,385	13,082	7.6%
Business Services	13,887	14,706	819	5.9%
Operations and Maintenance	151,862	369,375	217,513	143.2%
Transportation	-	180	180	100%

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. At June 30, 2015, \$35,515 was due back to the State of Michigan based on an audit of their Charter School grant. This amount is recorded as Due to Other Government Units.

3) DEPOSITS AND INVESTMENTS

The Academy has designated one bank for 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 \$807, all of which was 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, 2015.

DETROIT DELTA PREPARATORY ACADEMY FOR SOCIAL JUSTICE

Notes to Financial Statements (Continued)
June 30, 2015

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 prohibits investment in foreign currency.

4) DUE FROM OTHER GOVERNMENTAL UNITS

Receivables from other governmental units as of year-end for the Academy include \$72,789 from the State of Michigan, \$8,730 from Wayne Resa and \$15,000 from Federal grants through the Michigan Department of Education.

5) MANAGEMENT COMPANY AGREEMENT

The Academy has entered into a contract with Equity Education Management Solutions, LLC. Under the direction of the Academy's Board, Equity Education Management Solutions, LLC 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 agreement runs through June 30, 2019. For services rendered, Equity Education Management Solutions, LLC is entitled to a fixed percentage of the Academy's revenues as agreed to by Equity Education Management Solutions, LLC and the Academy, with the fee equal to at least 10% of revenues, and payroll fees for each academic year, (the "Fixed Fee Portion") in the amount of \$120,000. All management fees were waived for the year ended June 30, 2015.

The Academy leases its School building from Equity Facilities, LLC a related party to Equity Education Management Solutions, LLC. The lease was entered into on June 2014 and has a term of 5 years. The Annual rent is based upon the greater of \$700 per student enrolled at the Charter School operating on the premises or the minimum annual amounts referred in the rental agreement. The rent expense for the year ended June 30, 2015 was \$205,440, the minimum stated rent. All rent was waived for the year ended June 30, 2015. Accordingly, \$205,440 has been recorded as in-kind rent.

6) SUBSEQUENT EVENTS

The Academy has evaluated all subsequent events through October 29, 2015, the date the financial statements were available to be issued. No subsequent event was noted that required adjustments or disclosures on the financial statements.



Alan C. Young & Associates, P.C.

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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 Delta Preparatory Academy for Social Justice
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, each major fund and the aggregate remaining fund information of Detroit Delta Preparatory Academy for Social Justice (the Academy) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 29, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 been identified.

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)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards. This noncompliance is detailed in item 2015-1 in the attached Exhibit A.

Response to Finding

The Academy's response to the finding identified in our audit is described in the accompanying Exhibit A. The Academy's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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

Alan C. Young, Assoc.

Detroit, Michigan
October 29, 2015

DETROIT DELTA PREPARATORY ACADEMY FOR SOCIAL JUSTICE

Exhibit A
Year Ended June 30, 2015

Reference Number	Findings
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2015-1 Condition – Expenses in Excess of Budget

Finding Type – Noncompliance with Laws and Regulations

For the year ended June 30, 2015 the Academy’s expenses exceeded the final budgeted level for added needs, pupil support services, general administration, instructional staff services, school administration services, business services, operations and maintenance, and transportation. Expenditures in excess of budgeted amounts are a violation of Michigan Law.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Added Needs	\$ 35,673	\$ 47,678	\$ 12,005
Pupil Support Services	67,382	68,692	1,310
General Administration	12,805	17,193	4,388
Instructional Staff Services	39,219	43,842	4,623
School Administration Services	171,303	184,385	13,082
Business Services	13,887	14,706	819
Operations and Maintenance	151,862	369,375	217,513
Transportation	-	180	180

Recommendation – We recommend that the Academy assess variances between actual and budgeted figures for expenditures in the previous figures as a guide.

Response – The Board will continue to maintain budgetary oversight of the Academy’s activities through monthly reviews of the financial statements. If necessary, the Board will revise the budget to ensure any expenditure that exceeds the budget are formally approved and documented appropriately.

REQUIRED SUPPLEMENTAL INFORMATION

DETROIT DELTA PREPARATORY ACADEMY FOR SOCIAL JUSTICE

Exhibit A
Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Federal Sources	\$ 395,000	\$ 340,700	\$ 134,194	\$ (206,506)
State Sources	405,209	400,159	400,159	-
Local Sources	172,256	167,000	547,025	380,025
Total Revenue	<u>972,465</u>	<u>907,859</u>	<u>1,081,378</u>	<u>173,519</u>
Expenditures				
Instructional Services	317,313	309,367	286,199	(23,168)
Added Needs	36,673	35,673	47,678	12,005
<u>Supporting Services:</u>				
Pupil Support Services	78,650	67,382	68,692	1,310
Instructional Staff Services	79,324	39,219	43,842	4,623
General Administration	17,889	12,805	17,193	4,388
School Administration	178,461	171,303	184,385	13,082
Business	13,887	13,887	14,706	819
Operations/Maintenance	170,484	151,862	369,375	217,513
Transportation	1,050	-	180	180
Central	56,601	53,826	50,055	(3,771)
Community Service	5,148	5,148	5,148	-
Total Expenditure	<u>955,480</u>	<u>860,472</u>	<u>1,087,453</u>	<u>226,981</u>
Excess of Revenue over Expenditures				
Net Change in Fund Balance	16,985	47,387	(6,075)	(53,462)
Fund Balance - July 1, 2014	<u>16,497</u>	<u>16,497</u>	<u>16,497</u>	<u>-</u>
Fund Balance - June 30, 2015	<u>\$ 33,482</u>	<u>63,884</u>	<u>\$ 10,422</u>	<u>\$ (53,462)</u>