

**DISTINCTIVE COLLEGE PREP**

**FINANCIAL REPORT  
WITH  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2022**

# DISTINCTIVE COLLEGE PREP

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Distinctive College Prep  
Harper Woods, Michigan

### **Opinions**

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

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

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **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.

### **Required Supplementary Information**

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2022 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Academy's internal control over financial reporting and compliance.

*Alan C. Young & Assoc.*

Detroit, Michigan  
November 1, 2022

# **DISTINCTIVE COLLEGE PREP**

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

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

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

### **FINANCIAL HIGHLIGHTS**

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

- As of June 30, 2022, the Academy's total fund balance for its governmental funds was \$2,594,731 as compared to \$1,200,644 at June 30, 2021.
- As of June 30, 2022, the Academy had a net position of \$2,860,412 as compared to \$1,459,488, as restated at June 30, 2021.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

# **DISTINCTIVE COLLEGE PREP**

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

**June 30, 2022**

### **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

#### Fund Financial Statements

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

#### Governmental Funds

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

Because the focus of governmental funds is narrower than that of the 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 balances.

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 amounts actually paid and received 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.

# DISTINCTIVE COLLEGE PREP

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Academy's net position was \$2,860,412 at June 30, 2022. This amount represents net investment in capital assets of \$265,681, restricted net position of \$41,816 and unrestricted net position of \$2,552,915. The Academy's net position was \$1,576,005 at June 30, 2021.

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
<b>Assets</b>		
Current Assets	\$ 3,522,089	\$ 1,828,881
Capital Assets, Net of Depreciation	4,549,959	436,087
<b>Total Assets</b>	<u>8,072,048</u>	<u>2,264,968</u>
<b>Liabilities</b>		
Current Liabilities	927,358	559,022
Noncurrent Liabilities	4,284,278	129,941
<b>Total Liabilities</b>	<u>5,211,636</u>	<u>688,963</u>
<b>Net Position</b>		
Net Investment in Capital Assets	265,681	306,146
Restricted	41,816	16,938
Unrestricted	2,552,915	1,252,921
<b>Total Net Position</b>	<u>\$ 2,860,412</u>	<u>\$ 1,576,005</u>



# DISTINCTIVE COLLEGE PREP

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

#### Governmental Activities

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
<b>Revenue</b>		
State Aid Formula Grants	\$ 6,496,933	\$ 5,548,679
Other Revenue	43,830	727,391
Operating Grants and Contributions	4,721,983	2,214,409
<b>Total Revenues</b>	<u>11,262,746</u>	<u>8,490,479</u>
<b>Functions/Program Expenses</b>		
Basic Instruction and Added Needs	3,547,990	2,183,212
Support Services		
Pupil Support	560,452	345,022
Instructional Staff	232,654	223,092
General Administration	1,612,035	1,134,665
School Administration	795,475	1,306,636
Operations and Maintenance	1,838,133	1,392,055
Food Service	451,030	165,412
Transportation	409,249	166,239
Interest	12,077	5,889
Depreciation Expenses	154,179	216,949
Amortization Expense-Right to Use Assets	222,037	-
Withholding of Prior Year Revenue	26,511	-
<b>Total Expenses</b>	<u>9,861,822</u>	<u>7,139,171</u>
<b>Change in Net Position</b>	1,400,924	1,351,308
<b>Net Position - Beginning of Year, as Restated</b>	<u>1,459,488</u>	<u>224,697</u>
<b>Net Position - End of the Year</b>	<u>\$ 2,860,412</u>	<u>\$ 1,576,005</u>

As a result of the implementation of GASB 87, the July 1, 2021 beginning net position was restated from \$1,576,005 to \$1,459,488.

### FUND BUDGET & ACTUAL REVENUES & EXPENSES

	<u>Final Budget</u>	<u>Final Actual</u>	<u>Variance %</u>
Revenues	\$ 10,730,838	\$ 10,837,163	0.99%
Expenses	9,646,700	9,441,443	-2.13%

The Uniform Budget Act of the State of Michigan requires the Board approve the original budget for the upcoming fiscal year by July 1.

Distinctive College Prep can amend its budget after the September headcount and thereafter during the fiscal year.

# **DISTINCTIVE COLLEGE PREP**

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

At June 30, 2022, the Academy had \$4,549,959 invested in capital assets net of accumulated depreciation and amortization. Total depreciation and amortization expense for the year was \$376,216.

### ***Debt***

During fiscal year 2019 the Academy entered into two lease agreements. Monthly payments of \$3,176 and \$5,275 are required through October 2022 and September 2022, respectively. The total outstanding balance at June 30, 2022 was \$28,529. The Academy also entered into a 20 year lease agreement for its Harper Woods location in fiscal year 2021. The outstanding balance of the lease liability is \$4,255,749. The Academy also had a short-term State Aid note payable with an outstanding balance of \$134,717 at June 30, 2022.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Academy considers many factors when setting the Academy's 2022-2023 fiscal year budgets. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2021-22 fiscal years is 90 percent of the current school year October count and 10 percent of the prior February count. The all-inclusive budget was adopted in June 2022 based on an enrollment estimate of 950 students in the Fall of 2022-23.

Under State law, the Academy cannot assess property taxes for additional revenue for general operations. As a result, the Academy is heavily dependent on the State's ability to fund school Operations.

Once the final student count and related pupil funding are validated, State law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations. Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriations to public schools and public school academies. The State periodically holds a revenue estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds will be sufficient to fund the appropriation. However, due to the uncertainty surrounding COVID-19, it remains to be determined whether these funds will continue to be allocated to the State School Aid Fund, or whether resources will be diverted elsewhere in order to support the many areas impacted by COVID-19.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our students, parents, and stake holders with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Academy's Business Office at 19630 Harper Avenue, Harper Woods, MI 48225.

# DISTINCTIVE COLLEGE PREP

## Statement of Net Position June 30, 2022

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents (Note 3)	\$ 1,476,984
Due From Other Governmental Units (Note 4)	1,959,859
Other Receivables	43,996
Deposits	41,250
Capital Assets, Net of Accumulated Depreciation (Note 6)	4,549,959
<b>Total Assets</b>	<b>8,072,048</b>
<b>Liabilities</b>	
Accounts Payable	425,576
Accrued Liabilities	327,274
Loan Payable (Note 8)	134,717
Unearned Revenue (Note 1)	39,791
Lease Payable, Current Portion (Note 7)	136,482
Lease Payable, Net of Current Portion (Note 7)	4,147,796
<b>Total Liabilities</b>	<b>5,211,636</b>
<b>Net Position</b>	
Net Investment in Capital Assets	265,681
Restricted:	
Cafeteria Fund	41,816
Unrestricted	2,552,915
<b>Total Net Position</b>	<b>\$ 2,860,412</b>

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



# DISTINCTIVE COLLEGE PREP

## Governmental Funds Balance Sheet June 30, 2022

	General Fund	Non-major Fund Food Service Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents (Note 3)	\$ 1,476,984	\$ -	\$ 1,476,984
Due From Other Governmental Units (Note 4)	1,909,052	50,807	1,959,859
Other Receivables	43,996	-	43,996
Due from Other Funds (Note 9)	-	16,246	16,246
Deposits	41,250	-	41,250
<b>Total Assets</b>	<b>\$ 3,471,282</b>	<b>\$ 67,053</b>	<b>\$ 3,538,335</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 400,339	\$ 25,237	\$ 425,576
Accrued Expenditure	327,274	-	327,274
Unearned Revenue (Note 1)	39,791	-	39,791
Due to Other Funds (Note 9)	16,246	-	16,246
Loan Payable (Note 8)	134,717	-	134,717
<b>Total Liabilities</b>	<b>918,367</b>	<b>25,237</b>	<b>943,604</b>
<b>Fund Balance</b>			
Nonspendable	41,250	-	41,250
Restricted	-	41,816	41,816
Unassigned	2,511,665	-	2,511,665
<b>Total Fund Balance</b>	<b>2,552,915</b>	<b>41,816</b>	<b>2,594,731</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,471,282</b>	<b>\$ 67,053</b>	<b>\$ 3,538,335</b>

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

# **DISTINCTIVE COLLEGE PREP**

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

**Total Fund Balances - Governmental Funds** \$ 2,594,731

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	5,621,201	
Accumulated Depreciation and Amortization	<u>(1,071,242)</u>	4,549,959

Leases Payable used in Governmental Activities are not  
financial resources and therefore, not reported as liabilities in  
Governmental Funds

(4,284,278)

**Total Net Position - Governmental Activities** \$ 2,860,412

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

# DISTINCTIVE COLLEGE PREP

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

	General Fund	Non-major Fund Food Service Fund	Total Governmental Funds
<b>Revenue</b>			
Federal Sources	\$ 3,599,820	\$ 488,228	\$ 4,088,048
State Sources	7,193,513	6,570	7,200,083
Local Sources	43,830	-	43,830
<b>Total Revenue</b>	<u>10,837,163</u>	<u>494,798</u>	<u>11,331,961</u>
<b>Expenditures</b>			
Basic Instruction and Added Needs	3,547,990	-	3,547,990
<u>Supporting Services:</u>			
Pupil Support Services	560,452	-	560,452
Instructional Support Services	232,654	-	232,654
General Administration Services	1,612,035	-	1,612,035
School Administration Services	795,475	-	795,475
Operations and Maintenance	2,271,511	18,890	2,290,401
Transportation	409,249	-	409,249
Interest	12,077	-	12,077
Food Service	-	451,030	451,030
<b>Total Expenditures</b>	<u>9,441,443</u>	<u>469,920</u>	<u>9,911,363</u>
<b>Excess of Revenue over Expenditures</b>	1,395,720	24,878	1,420,598
<b>Other Financing Sources (Uses)</b>			
Other Uses - Withholding of Prior Year Revenue (Note 10)	<u>(26,511)</u>	-	<u>(26,511)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(26,511)</u>	-	<u>(26,511)</u>
<b>Net Change in Fund Balance</b>	1,369,209	24,878	1,394,087
<b>Fund Balance - July 1, 2021</b>	<u>1,183,706</u>	<u>16,938</u>	<u>1,200,644</u>
<b>Fund Balance - June 30, 2022</b>	<u>\$ 2,552,915</u>	<u>\$ 41,816</u>	<u>\$ 2,594,731</u>

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

# **DISTINCTIVE COLLEGE PREP**

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

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,394,087

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	(154,179)	
Amortization Expense	(222,037)	
Capitalized Capital Outlay Expense	<u>252,882</u>	(123,334)

Payments on Leases are expensed in the Governmental Funds, but are used to reduce Lease Liability in the Statement of Net Position 199,386

Revenue is reported in the Statement of Activities at the time it is earned, without regard to timeliness of collection (69,215)

**Change in Net Position - Governmental Activities** \$ 1,400,924

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



**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Distinctive College Prep (the Academy) conform to generally accepted accounting principles as applicable to schools. The following is a summary of the significant policies:

**Reporting Entity**

The Academy is a nonprofit corporation incorporated in the State of Michigan on December 20, 2016 as authorized by the Central Michigan University Board of Trustees (CMU) to charter a Michigan public school academy. The administrative fee for the year ended June 30, 2022 paid to CMU was \$193,571. The Academy has two campuses; Harper Woods and Redford. The Academy's mission is to serve children and families in urban communities by providing a high quality learning environment that accelerates achievement, performance and college preparedness through careful analysis of student needs and effective use of data to personalize and monitor student learning. The Academy primarily receives its revenue from grants and contracts with the State of Michigan and funds passed through from the federal government. Approximately 66% of total revenue for the year ended June 30, 2022 is from the State of Michigan and 33% is from the federal government.

The Academy is governed by a five member Board of Directors. The Academy has delegated its duty to manage and operate the school to a management company under an agreement which covers five academic years commencing on July 1, 2017 and ending on June 30, 2022. The Academy and the management renewed the contract for one year. The contract may be renewed for additional terms at the discretion of CMU based on the performance of the Academy for a period of up to five (5) years.

In addition, the Academy is obligated to reimburse the management company for the compensation of certain management company employees providing education and other services, and other costs reasonably incurred in providing the education program at the school. Such costs shall include, but are not limited to, curriculum materials, professional development, textbooks, computer equipment and software, supplies, subcontracted services, rental, maintenance and utilities, marketing and other costs. In return, the management company will provide management, accounting, clerical, administrative, as well as professional, curriculum development other services during the term of the agreement. Also, most personnel working at or for the Academy, including teaching, food service, secretarial, transportation and other staff will be employed, trained and supervised by the management company. The Academy is also responsible for reimbursing the management company for all costs attributable to these employees. This amount including all related payroll taxes and benefits of these management company employees is included in expenditures on the statement of activities.

**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.

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Academy-Wide and Fund Financial Statements (Continued)

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

**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.

As a general rule, the effect of inter-fund 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 contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted State aid.

When an expense is incurred for purposes for which both restricted and unrestricted net position 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.

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

**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.

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 expenditure for specified purposes. The Academy's special revenue fund is the Food Service Fund. Any operating deficit generated by these activities is the responsibility of the General Fund.

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.

**Prepaid Costs** – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

**Capital Assets** – Capital assets which include computers, equipment and furniture 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 an estimated useful life in excess of 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. 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 infrastructure-type assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

Computers and Equipment	3 Years
Furniture	5-7 years

Right to use assets are amortized over the shorter of the lease term or the useful life of the assets. The Academy's current right to use assets are being amortized over the lease term of 3 and 20 years.

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Assets, Liabilities and Net Position or Equity (Continued)

**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, 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 had no deferred outflows of resources at June 30, 2022.

**Deferred Inflows of Resources** – In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, 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, when resources are not received within 60 days after year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Academy had no deferred inflows of resources as of June 30, 2022.

**Unearned Revenue** – Unearned Revenue is reported in connection with funds that have been received for services which have not been performed and is therefore not yet earned. At June 30, 2022, the Academy had \$39,791 of unearned revenue for funds not yet utilized.

**MPSERS Liability** – The Academy contracted with an outside organization to provide all staffing personnel during the year under audit. Consequently, all staffing costs are treated as purchased services in these financial statements. The Academy has no obligation to fund the Michigan Public School Employees Retirement System for the year 2022, and no such funding was made for the year.

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

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

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Assets, Liabilities and Net Position or Equity (Continued)

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.

**Net Position** – Net position of the Academy is classified in three components. Net Investment in capital assets – net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase of those assets. Restricted net position is further classified as expendable and nonexpendable. The Academy did not have any 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 assets or restricted.

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

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

During the current year, the Academy adopted GASB Statement No. 87 and as a result has recorded a right to use lease asset. The right to use asset is initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. Right to use assets are amortized on a straight-line basis over the life of the related lease.

# DISTINCTIVE COLLEGE PREP

Notes to Financial Statements (Continued)  
June 30, 2022

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Position or Equity (Continued)

As a result of the implementation of GASB 87, beginning balances were restated in the statement of net position as follows:

	<u>As Originally Stated</u>	<u>Restated</u>
Right to use Assets	\$ -	\$ 4,440,740
Accumulated Amortization	-	203,534
Lease Liability	-	4,353,723
Net Position	1,576,005	1,459,488

## 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, except that 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.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

During the year, actual expenditures exceeded final budgeted expenditures for the following categories:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Basic Programs	\$ 3,047,814	\$ 3,230,795	\$ 182,981
Pupil Support Services	540,339	560,452	20,113
Instructional Staff Services	108,494	232,654	124,160

In total, actual expenditures were \$205,257 less than the final budget.

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

**3) DEPOSITS AND INVESTMENTS**

State statutes authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with the statutory authority. As of June 30, 2022, the Academy does not have any investments.

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's deposit balance was \$1,476,984, of which \$1,226,126 was uninsured and uncollateralized and \$250,858 was FDIC insured.

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

**Interest Rate Risk**

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

**Credit Risk**

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

**Foreign Currency Risk**

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

**4) DUE FROM OTHER GOVERNMENTAL UNITS**

Receivables from other governmental units as of year-end for the Academy include \$1,271,470 from the State of Michigan and \$688,389 from Federal grants.

# DISTINCTIVE COLLEGE PREP

Notes to Financial Statements (Continued)  
June 30, 2022

## 5) MANAGEMENT COMPANY AGREEMENT

The Academy has entered into a contract with Distinctive Schools effective April 27, 2017 and covering five academic years commencing on July 1, 2017 and ending on June 30, 2022, subject to a continued contract with CMU and state per capita funding. Under the direction of the Academy's Board, Distinctive Schools 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 annual fee shall be the higher of \$375,000 for each Academy site, or twelve percent of all payments that the Academy receives, less amounts retained by CMU and all donations that are made to the Academy. For the year ended June 30, 2022, the management fee amounted to \$558,301. Throughout the year, Distinctive Schools paid various expenses on behalf of the Academy. Also, Distinctive Schools provided various services to the Academy as detailed in Note 1. At June 30, 2022 the Academy had a balance of \$150,951 due to Distinctive Schools.

## 6) CAPITAL ASSETS

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

	<b>Balance July 1, 2021</b>	<b>Additions</b>	<b>Balance June 30, 2022</b>
Capital Assets Being Depreciated:			
Furniture and Equipment	\$ 521,932	\$ 252,882	\$ 774,814
Right to Use Asset - Equipment	405,647	-	405,647
Right to Use Asset - Building	4,440,740	-	4,440,740
Subtotal	5,368,319	252,882	5,621,201
Accumulated Depreciation and Amortization:			
Furniture and Equipment	85,845	154,179	240,024
Right to Use Asset - Equipment	405,647	-	405,647
Right to Use Asset - Building	203,534	222,037	425,571
Total Accumulated Depreciation and Amortization	695,026	376,216	1,071,242
Net Governmental Capital Assets	<u>\$ 4,673,293</u>	<u>\$ (123,334)</u>	<u>\$ 4,549,959</u>

Depreciation on capital assets is unallocated in the statement of activities.

## 7) RIGHT TO USE LEASED ASSETS

The Academy entered into a lease agreement for its Harper Wood location beginning August 1, 2020 and ending on June 30, 2040. The right to use asset is amortized on a straight-line basis over the term of the asset. The right to use asset activity for the Academy for the year ended June 30, 2022 is included in the capital assets schedule in Note 6.



# DISTINCTIVE COLLEGE PREP

Notes to Financial Statements (Continued)  
June 30, 2022

## 7) RIGHT TO USE LEASED ASSETS (Continued)

The liability for the lease is discounted at 3.30%. The maturity of the lease is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 107,953	\$ 138,826	\$ 246,779
2024	119,086	135,096	254,182
2025	130,817	130,990	261,808
2026	143,174	126,488	269,662
2027	156,183	121,568	277,751
2028-2032	1,001,032	517,827	1,518,860
2033-2037	1,442,448	318,326	1,760,775
2038-2040	1,155,056	62,031	1,217,086
	<u>\$ 4,255,749</u>	<u>\$ 1,551,152</u>	<u>\$ 5,806,903</u>

The Academy also entered into a lease agreement for its Redford location beginning July 1, 2018 and ending on June 30, 2023. The terms of lease payments are as follows:

- Commencing July 1, 2018 through October 31, 2018, monthly lease payments are 50% of one-twelfth (1/12th) of 10% of any and all amounts actually received by the Academy from (i) State Aid and/or (ii) tuition derived from students enrolled at the Redford location;
- Commencing November 1, 2018 through February 28, 2019, monthly lease payments are 150% of one-twelfth (1/12th) of 10% of any and all amounts actually received by the Academy from (i) State Aid and/or (ii) tuition derived from students enrolled at the Redford location;
- Commencing March 1, 2019 through the term of the lease, monthly lease payments will be one-twelfth (1/12th) of ten percent of any and all amounts actually received by the Academy from (i) State Aid and/or (ii) tuition derived from students enrolled at the Redford location.

Since this is a variable term lease with no fixed component, the requirements under GASB 87 of a lessee to record a right-to-use asset and a lease liability are not applicable and therefore not recorded on the statement of net position.

Additionally, the Academy had entered into two short-term leases for transportation services, that expired on June 30, 2022. The lease payments made during the year for these leases were \$78,087 and \$19,525, respectively.

The Academy entered into a lease with Distinctive Schools, Inc. for computer equipment and technology. Commencing November 1, 2018 and for the period of 48 months, the lease requires monthly payments of \$3,176. The liability is measured at 3.30% discount rate. Maturity of the lease is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 12,704	\$ 128	\$ 12,832
<b>Total</b>	<u>\$ 12,704</u>	<u>\$ 128</u>	<u>\$ 12,832</u>

The right to use assets activity for the year ended June 30, 2022 are included in Note 6.

# DISTINCTIVE COLLEGE PREP

Notes to Financial Statements (Continued)  
June 30, 2022

## 7) RIGHT TO USE LEASED ASSETS (Continued)

The Academy entered into a lease with Distinctive Schools, Inc. commencing October 1, 2018 and for a period of 48 months. The lease requires monthly payments of \$5,275. The liability is measured at 3.30% discount rate. Maturity of the lease is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 15,825	\$ 131	\$ 15,956
<b>Total</b>	<b>\$ 15,825</b>	<b>\$ 131</b>	<b>\$ 15,956</b>

The right to use assets activity for the year ended June 30, 2022 are included in Note 6.

## 8) LOAN PAYABLE

The Academy entered into a purchase contract agreement with the Michigan Public Educational Facilities Authority for State Aid Notes in the amount of \$750,000. The notes are guaranteed by the School's State Aid Payments. The notes have an interest rate of 3.30% and are payable in eleven monthly principal and interest payments through August 2022. The balance on the notes as of June 30, 2022 is \$134,717.

## 9) INTER-FUND RECEIVABLES AND PAYABLES

The composition of inter-fund balances is as follows:

<u>Fund Due To</u>	<u>Fund Due From General Fund</u>
Cafeteria Fund	\$ 16,246

Inter-fund receivables and payables occur during the normal course of business and are settled routinely during the year.

## 10) WITHHOLDING OF PRIOR YEAR REVENUE

During the year the State of Michigan withheld Title IV Funds due to failed submission of reports in the amount of \$26,511. This had been recorded as revenue in fiscal year 2021. Management is in the process of communicating with the State of Michigan for a resolution but as of the date of the report there has been no indication if the money will be returned to the Academy.

## 11) SUBSEQUENT EVENTS

The Academy has evaluated all subsequent events through November 1, 2022, the date the financial statements were available to be issued. No significant event was noted that required adjustment or disclosure in the report.

## **REQUIRED SUPPLEMENTAL INFORMATION**

# DISTINCTIVE COLLEGE PREP

## Budgetary Comparison Schedule General Fund Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Revenue</b>				
Federal Sources	\$ 3,470,172	\$ 3,510,518	\$ 3,599,820	\$ 89,302
State Sources	6,535,564	7,184,684	7,193,513	8,829
Local Sources	-	35,636	43,830	8,194
<b>Total Revenue</b>	<u>10,005,736</u>	<u>10,730,838</u>	<u>10,837,163</u>	<u>106,325</u>
<b>Expenditures</b>				
<u>Instructional Services</u>				
Basic Programs	3,241,333	3,047,814	3,230,795	182,981
Added Needs	494,209	407,913	317,195	(90,718)
<u>Supporting Services:</u>				
Pupil Support Services	656,307	540,339	560,452	20,113
Instructional Staff Services	-	108,494	232,654	124,160
General Administration Services	1,259,555	1,812,091	1,612,035	(200,056)
School Administration Services	1,373,737	822,741	795,475	(27,266)
Operation and Maintenance	2,321,451	2,456,769	2,271,511	(185,258)
Pupil Transportation Services	478,259	436,989	409,249	(27,740)
Interest	10,000	13,550	12,077	(1,473)
<b>Total Expenditure</b>	<u>9,834,851</u>	<u>9,646,700</u>	<u>9,441,443</u>	<u>(205,257)</u>
<b>Other Financing Sources (Uses)</b>				
Other Uses - Withholding of Prior Year Revenue	-	-	(26,511)	26,511
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(26,511)</u>	<u>26,511</u>
<b>Change in Fund Balance</b>	<u>170,885</u>	<u>1,084,138</u>	<u>1,369,209</u>	<u>285,071</u>
<b>Fund Balance - July 1, 2021</b>			<u>1,183,706</u>	
<b>Fund Balance - June 30, 2022</b>			<u>\$ 2,552,915</u>	

**DISTINCTIVE COLLEGE PREP**

**FEDERAL AWARDS  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2022**

# **DISTINCTIVE COLLEGE PREP**

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## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Distinctive College Prep  
Harper Woods, Michigan

We have audited the financial statements of the governmental activities, major fund, and the remaining fund information of Distinctive College Prep (the Academy) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements. We issued our report thereon dated November 1, 2022 which contained unmodified opinions on the basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to November 1, 2022.

The accompanying schedule of expenditures of federal awards and reconciliation of the basic financial statements' federal revenue with the schedule of expenditures of federal awards are presented for purposes of additional analysis as required by the Uniform Guidance and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the reconciliation of the basic financial statements federal revenue with the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Alan C. Young & Assoc.*

Detroit, Michigan  
November 1, 2022



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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  
Distinctive College Prep  
Harper Woods, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the remaining fund information of Distinctive College Prep (the Academy) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 1, 2022.

### Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than 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 or significant deficiencies may exist that were not identified.



**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards  
(Continued)**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Alan C. Young, Assoc.*

Detroit, Michigan  
November 1, 2022



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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Distinctive College Prep  
Harper Woods, Michigan

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited the Distinctive College Prep's, (the Academy) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2022. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Academy's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Academy's federal programs.

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

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Academy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

**Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Alan C. Young, Assoc.*

Detroit, Michigan  
November 1, 2022

# DISTINCTIVE COLLEGE PREP

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

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued or (Deferred) Revenue at July 1, 2021	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued or (Deferred) Revenue at June 30, 2022	Passed Through to Subrecipients
<b>DEPARTMENT OF AGRICULTURE</b>									
<b>Passed through the Michigan Department of Education</b>									
<b>Child Nutrition Cluster</b>									
Seamless Summer Option (SSO) - Breakfast									
Project Number 211971	10.553	\$ 11,729	\$ -	\$ -	\$ -	\$ 11,729	\$ 11,729	\$ -	\$ -
Project Number 221971	10.553	125,138	-	-	-	114,377	125,138	10,761	-
Total		136,867	-	-	-	126,106	136,867	10,761	-
Seamless Summer Option (SSO) - Lunch									
Project Number 211961	10.555	31,462	-	-	-	31,462	31,462	-	-
Project Number 211965	10.555	46,772	46,772	46,772	-	46,772	-	-	-
Project Number 211980	10.555	241,719	-	-	-	241,719	241,719	-	-
Project Number 220910	10.555	18,133	-	-	-	18,133	18,133	-	-
Project Number 221961	10.555	21,156	-	-	-	-	21,156	21,156	-
Total		359,242	46,772	46,772	-	338,086	312,470	21,156	-
Extended SFSP									
Project Number 210904	10.559	116,555	116,555	15,593	-	15,593	-	-	-
Total		116,555	116,555	15,593	-	15,593	-	-	-
Noncash Assistance									
USDA Commodities	10.555	19,858	-	-	-	17,315	17,315	-	-
Total		19,858	-	-	-	17,315	17,315	-	-
<b>Total Child Nutrition Cluster</b>		<b>632,522</b>	<b>163,327</b>	<b>62,365</b>	<b>-</b>	<b>497,100</b>	<b>466,652</b>	<b>31,917</b>	<b>-</b>
Food Equipment Assistance Grant									
Project Number 201991	10.579	18,890	-	-	-	-	18,890	18,890	-
Total		18,890	-	-	-	-	18,890	18,890	-
Pandemic EBT Local Level Costs									
Project Number 210980	10.649	614	-	-	-	614	614	-	-
Total		614	-	-	-	614	614	-	-
<b>Total Department of Agriculture Passed through the Michigan Department of Education</b>		<b>652,026</b>	<b>163,327</b>	<b>62,365</b>	<b>-</b>	<b>497,714</b>	<b>486,156</b>	<b>50,807</b>	<b>-</b>

See notes to Schedule of Expenditures of Federal Awards.

# DISTINCTIVE COLLEGE PREP

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued or (Deferred) Revenue at July 1, 2021	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued or (Deferred) Revenue at June 30, 2022	Passed Through to Subrecipients
<b>DEPARTMENT OF EDUCATION</b>									
<b>Passed through the Michigan Department of Education Office of Elementary and Secondary Education Program</b>									
Title I, Part A - Improving Basic Programs									
Project Number 211530	84.010	408,576	376,412	54,743	-	54,743	-	-	-
Project Number 211530	84.010	366,297	-	-	-	247,849	326,197	78,348	-
Total		774,873	376,412	54,743	-	302,592	326,197	78,348	-
MI Charter School Program Grant									
Project Number 190610	84.282	1,000,000	518,626	91,529	-	300,128	395,657	187,058	-
Total		1,000,000	518,626	91,529	-	300,128	395,657	187,058	-
Title II, Part A - Teacher/Principal Training									
Project Number 220520	84.367	47,519	-	-	-	11,950	40,121	28,171	-
Total		47,519	-	-	-	11,950	40,121	28,171	-
Title IV, Part A - Student Support & Academic Enrichment Program									
Project Number 210750	84.424	39,327	26,511	1,093	(26,511)	(25,418)	-	26,511	-
Project Number 220750	84.424	49,875	-	-	-	13,175	49,875	36,700	-
Total		89,202	26,511	1,093	(26,511)	(12,243)	49,875	63,211	-
Education Stabilization Fund GEER Funds - K-12									
Project Number 201200	84.425C	54,222	54,222	9,262	-	9,262	-	-	-
ESSER - Formula									
Project Number 203710	84.425D	238,191	238,182	116,279	-	116,279	-	-	-
Project Number 213712	84.425D	1,276,608	-	-	-	1,217,080	1,262,312	45,232	-
Project Number 213752	84.425D	22,500	-	-	-	22,500	22,500	-	-
ESSER III - Formula									
Project Number 203710	84.425U	2,869,121	-	-	-	997,158	1,245,499	248,341	-
Total		4,460,642	292,404	125,541	-	2,362,279	2,530,311	293,573	-
<b>Total Department of Education Passed through the Michigan Department of Education</b>		<b>6,372,236</b>	<b>1,213,953</b>	<b>272,906</b>	<b>(26,511)</b>	<b>2,964,706</b>	<b>3,342,161</b>	<b>650,361</b>	<b>-</b>
<b>Passed through Wayne County RESA</b>									
IDEA Flow through - Special Education Grants to State IDEA Flow through 19-20	84.027A	164,532	-	-	-	150,800	164,532	13,732	-
<b>Total Passed through Wayne County RESA</b>		<b>164,532</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,800</b>	<b>164,532</b>	<b>13,732</b>	<b>-</b>
<b>Total Department of Education</b>		<b>6,536,768</b>	<b>1,213,953</b>	<b>272,906</b>	<b>(26,511)</b>	<b>3,115,506</b>	<b>3,506,693</b>	<b>664,093</b>	<b>-</b>
<b>TOTAL FEDERAL AWARDS</b>		<b>\$ 7,188,794</b>	<b>\$ 1,377,280</b>	<b>\$ 335,271</b>	<b>\$ (26,511)</b>	<b>\$ 3,613,220</b>	<b>\$ 3,992,849</b>	<b>\$ 714,900</b>	<b>\$ -</b>

See notes to Schedule of Expenditures of Federal Awards.

# **DISTINCTIVE COLLEGE PREP**

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## **Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2022**

Revenue from Federal Sources - as Reported on Financial Statements (includes all funds)	\$ 4,088,048
E-Rate Revenue, Recorded as Federal Revenue in the Financial Statements, not to be included in SEFA	(25,985)
Federal Revenue Deferred on the Basic Financial Statements Under GASB Statement No. 33 at June 30, 2021, not included in SEFA	<u>(69,214)</u>
	<u>\$ 3,992,849</u>

*See notes to Schedule of Expenditures of Federal Awards.*

**1) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

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

**2) GRANT AUDITOR REPORT**

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

**3) NONCASH ASSISTANCE**

The value of the noncash assistance received was determined in accordance with the provisions of the Uniform Guidance.

Commodities – Inventory values are based on USDA value for donated food commodities. Reported commodity values were computed using the recipient entitlement balance report and other records.

**4) INDIRECT COST RATE**

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

**5) SUBSEQUENT EVENTS**

All subsequent events related to the major programs were evaluated through November 1, 2022, the date the accompanying reports were available to be issued. No significant event was noted that required adjustment or disclosure in the report.

**6) ADJUSTMENT**

During the year ended June 30, 2022, the School had an adjustment of \$26,511. This adjustment was the result of costs which were disallowed by the State



# DISTINCTIVE COLLEGE PREP

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

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

#### Financial Statements

Type of Auditor’s Report Issued: Unmodified

Internal Control over Financial Reporting:

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

#### Federal Awards

Internal Control over Major Programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

\_\_\_\_\_ Yes X No

#### Identification of Major Programs:

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

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

Auditee Qualified as Low Risk Auditee? \_\_\_\_\_ Yes X No

# **DISTINCTIVE COLLEGE PREP**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2022**

### **SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS**

There are no financial statement audit findings.

# **DISTINCTIVE COLLEGE PREP**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2022**

### **SECTION III – FEDERAL PROGRAM AUDIT FINDINGS**

There are no Federal program audit findings.

# DISTINCTIVE COLLEGE PREP

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Status of Prior Year Findings  
Year Ended June 30, 2022

## SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

Reference Number	Findings
2021-001	<p><b>Finding Type</b> – Material Weakness and Noncompliance with Laws and Regulations</p> <p><b>Condition and Description</b> – The Academy does not currently follow the State’s required coding structure in their chart of accounts. Although the chart of accounts was sufficient for classifying balances for financial statement purposes, it does not satisfy State reporting requirements.</p> <p><b>Status</b> – This is not a finding for the year ended June 30, 2022.</p>

Reference Number	Findings
2021-002	<p><b>Finding Type</b> – Material Weakness</p> <p><b>Condition and Description</b> – Certain transactions from Bill.com did not properly post to the general ledger. As a result, the Academy reconciled this account during the audit fieldwork.</p> <p><b>Status</b> – This is not a finding for the year ended June 30, 2022.</p>

# DISTINCTIVE COLLEGE PREP

Status of Prior Year Findings (Continued)  
Year Ended June 30, 2022

## SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

Reference Number	Findings																																																		
2021-003	<p><b>Finding Type</b> – Noncompliance with Laws and Regulations</p> <p><b>Condition and Description</b> – For the year ended June 30, 2021 the Academy’s expenses exceeded the final budgeted level for the categories shown in the following table. Additionally, total expenditures exceeded the final budgeted level by \$76,016. Expenditures in excess of budgeted amounts are a violation of State law.</p> <table><thead><tr><th></th><th>Original Budget</th><th>Final Budget</th><th>Actual</th><th>Over Final Budget</th></tr></thead><tbody><tr><td colspan="5"><b>Expenditures</b></td></tr><tr><td colspan="5"><u>Instructional Services</u></td></tr><tr><td>Added Needs</td><td>\$ 240,428</td><td>\$ 219,891</td><td>\$ 238,169</td><td>\$ 18,278</td></tr><tr><td colspan="5"><u>Supporting Services:</u></td></tr><tr><td>Pupil Support Services</td><td>219,988</td><td>325,798</td><td>345,022</td><td>19,224</td></tr><tr><td>Instructional Staff Services</td><td>-</td><td>-</td><td>223,092</td><td>223,092</td></tr><tr><td>Pupil Transportation Services</td><td>253,097</td><td>148,202</td><td>166,239</td><td>18,037</td></tr><tr><td>Interest</td><td>10,000</td><td>4,157</td><td>5,889</td><td>1,732</td></tr><tr><td>Payment on Capital Leases</td><td>-</td><td>-</td><td>101,412</td><td>101,412</td></tr></tbody></table>		Original Budget	Final Budget	Actual	Over Final Budget	<b>Expenditures</b>					<u>Instructional Services</u>					Added Needs	\$ 240,428	\$ 219,891	\$ 238,169	\$ 18,278	<u>Supporting Services:</u>					Pupil Support Services	219,988	325,798	345,022	19,224	Instructional Staff Services	-	-	223,092	223,092	Pupil Transportation Services	253,097	148,202	166,239	18,037	Interest	10,000	4,157	5,889	1,732	Payment on Capital Leases	-	-	101,412	101,412
	Original Budget	Final Budget	Actual	Over Final Budget																																															
<b>Expenditures</b>																																																			
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Pupil Transportation Services	253,097	148,202	166,239	18,037																																															
Interest	10,000	4,157	5,889	1,732																																															
Payment on Capital Leases	-	-	101,412	101,412																																															

**Status** – This is not a finding for the year ended June 30, 2022.

# DISTINCTIVE COLLEGE PREP

Status of Prior Year Findings (Continued)  
Year Ended June 30, 2022

## SECTION III – FEDERAL PROGRAM AUDIT FINDINGS

<b>Reference Number</b>	<b>Findings</b>
<b>2021-004</b>	<p><b>Program Name</b> – Governor’s Emergency Education Relief Fund (GEER) Grant</p> <p><b>CFDA Number</b> – 84.425 C</p> <p><b>Finding Type</b> – Significant Deficiency and Noncompliance</p> <p><b>Condition and Description</b> – Based on the review of payroll costs charged to the grant, we noted payroll costs for an employee charged at 100% to the grant instead of at the appropriate allocation. The amount charged was \$15,500 while the properly allocated portion is \$10,016.</p> <p><b>Status</b> – This is not a finding for the year ended June 30, 2022.</p>
<b>2021-005</b>	<p><b>Program Name</b> – Charter Schools Program (CSP) Grant</p> <p><b>CFDA Number</b> – 84.282</p> <p><b>Finding Type</b> – Significant Deficiency and Noncompliance</p> <p><b>Condition and Description</b> – Based on the review of report submission dates, we noted that all 4 reports submitted during the fiscal year were submitted after the due date.</p> <p><b>Status</b> – This is not a finding for the year ended June 30, 2022.</p>

**DISTINCTIVE COLLEGE PREP**

**AUDIT COMMUNICATION LETTER**

**JUNE 30, 2022**



# *Alan C. Young & Associates, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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7310 Woodward Ave, Suite 740  
Detroit, MI 48202

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November 1, 2022

To the Board of Directors  
Distinctive College Prep  
Harper Woods, Michigan

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

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

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

Very truly yours,

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





# *Alan C. Young & Associates, P.C.*

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## RESULTS OF AUDIT

November 1, 2022

Board of Directors  
Distinctive College Prep  
Harper Woods, Michigan

We have audited the financial statements of the governmental activities, major fund and remaining fund information of Distinctive College Prep (the Academy) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance as well as certain information related to the scope and timing of our audit. We have communicated such information in our letter to you dated August 17, 2022. Professional standards also require that we communicate to you the following information related to our audit.

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

As stated in our engagement letter dated August 17, 2022, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

Results of Audit  
(Continued)

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

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

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

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

Scope of the Audit, Significant Risks and Others

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

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

We have identified the following significant risks of material misstatement as part of our audit planning which was communicated in our engagement letter dated August 17, 2022.

- Recording of revenues and unearned revenue for restricted grants.
- Year-end cut-off of payables.
- Override of controls.
- Segregation of accounting by Fund.

During our audit procedures we did not note any findings or exceptions related to the above items. However, we noted certain other matters which are included in Exhibit A of this letter.

Results of Audit  
(Continued)

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Depreciation expense is a significant accounting estimate for the Academy.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. Note 7 is significant as it discusses the Academy's lease agreement.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit. We would like to commend management and staff on the assistance provided to us during the audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No such misstatements were noted as a result of our audit.

*Disagreements with Management*

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

*Management Representations*

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

Results of Audit  
(Continued)

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

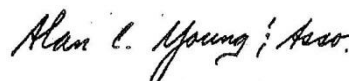
As required by 2 CFR Part 200, we have also completed an audit of the federal programs administered by the Academy. The results of that audit are provided to the Board of Directors in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with 2 CFR Part 22, dated November 1, 2022.

*Other Matters*

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

*Restriction on Use*

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



Detroit, Michigan  
November 1, 2022

**OTHER COMMENTS AND RECOMMENDATIONS**  
**Exhibit A**

# **DISTINCTIVE COLLEGE PREP**

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**Other Comments and Recommendations (Exhibit A)**  
**June 30, 2022**

## **1) WITHHOLDING OF REVENUE**

During the audit we noted that prior year Title IV funding had to be returned to the State of Michigan in the current fiscal year. This was caused by a failed submission of a required report to the State of Michigan. As a result, \$26,511 of funding was recaptured by the state and the Academy's management is in discussions with the State in an attempt to have the funds returned.

We recommend that all required reports be submitted in advance of their respective deadline allowing enough time for the management to address any logistical issues.

## **INFORMATIONAL ITEMS**

## **Upcoming Accounting Pronouncements**

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