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# KIPP Detroit Imani Academy

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**Financial Report  
with Supplementary Information  
June 30, 2023**

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## Independent Auditor's Report

To the Board of Directors  
KIPP Detroit Imani Academy

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities and each major fund of KIPP Detroit Imani Academy (the "Academy") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise KIPP Detroit Imani Academy's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of KIPP Detroit Imani Academy as of June 30, 2023 and the respective changes in its 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 (GAAS) 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 12 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 GAAS 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.

To the Board of Directors  
KIPP Detroit Imani Academy

In performing an audit in accordance with GAAS 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 the major fund budgetary comparison schedule 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2023 on our consideration of KIPP Detroit Imani Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 KIPP Detroit Imani 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 KIPP Detroit Imani Academy's internal control over financial reporting and compliance.



October 18, 2023

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*

### Independent Auditor's Report

To Management and the Board of Directors  
KIPP Detroit Imani Academy

We have audited, 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, the financial statements of the governmental activities and the major funds of KIPP Detroit Imani Academy (the "Academy") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 18, 2023.

#### 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a certain deficiency in internal control, Finding 2023-001, that we consider to be a material weakness.

**Criteria** - The Academy should maintain proper controls over review and reconciliation of the trial balance and general ledger. **Condition** - During the audit, the trial balance received by the auditor did not agree to supporting documentation or quarterly financial statements produced by management for the Academy. **Context** - The quarterly financial statements for the Academy accurately reflected the transactions of the Academy, but this was not properly recorded within the general ledger and, ultimately, the trial balance provided for the purpose of the year-end audit. **Cause** - The Academy did not have a process in place to review the final trial balance prior to it being provided to the auditor. **Effect** - While the Academy is able to produce accurate quarterly financial statements, the Academy did not properly record transactions within the general ledger system that would agree to the quarterly financial statements produced. **Recommendation** - We recommend the Academy implement processes and controls to review the information that is recorded within the general ledger system and a monthly review of the trial balance within the system. **Management's View** - Management understands the importance of accurate reporting within the general ledger system and trial balance. The Academy will implement processes and controls to ensure the general ledger properly reflects financial information that agrees with the reviewed and approved quarterly financial statements.

To Management and the Board of Directors  
KIPP Detroit Imani Academy

### **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*.

### **The Academy's Response to the Finding**

*Government Auditing Standards* require the auditor to perform limited procedures on the Academy's response to the finding identified in our audit and described above. The Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

### **Purpose of This Report**

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

*Plante & Moran, PLLC*

October 18, 2023

This section of the annual financial report for KIPP Detroit Imani Academy (the "Academy") presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2023. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

### ***Using This Annual Report***

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand KIPP Detroit Imani Academy financially as a whole. The academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the academy-wide financial statements by providing information about the Academy's two major funds - the General Fund and the Food Service Fund. The Academy does not have any nonmajor funds. This report is comprised of the following elements:

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

#### **Basic Financial Statements**

Academy-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

#### **Required Supplementary Information**

Budgetary Comparison Schedule - General Fund

### ***Reporting the Academy as a Whole - Academy-wide Financial Statements***

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

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

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

**KIPP Detroit Imani Academy**

**Management's Discussion and Analysis (Continued)**

**Reporting the Academy's Fund Financial Statements**

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by state law. The governmental funds of the Academy use the following accounting approach:

**Governmental Funds**

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

**The Academy as a Whole**

Recall that the statement of net position provides the perspective of the Academy as a whole. The following table provides a summary of the Academy's net position as of June 30, 2023, as this was the Academy's first year of operations:

	Governmental Activities
	(in thousands)
<b>Assets</b> - Current and other assets	\$ 126.9
<b>Liabilities</b> - Current liabilities	62.4
<b>Net Position</b> - Unrestricted	<b>\$ 64.5</b>

The above analysis focuses on net position. The change in net position of the Academy's governmental activities is discussed below. The Academy's net position was approximately \$64,500 at June 30, 2023, all of which was unrestricted.

The approximately \$64,500 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Academy as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the year ended June 30, 2023.



# KIPP Detroit Imani Academy

## Management's Discussion and Analysis (Continued)

	Governmental Activities (in thousands)
<b>Revenue</b>	
Program revenue:	
Charges for services	\$ 2.3
Operating grants	416.0
General revenue - State aid not restricted to specific purposes	311.9
Total revenue	730.2
<b>Expenses</b>	
Instruction	387.0
Support services	210.1
Food services	68.6
Total expenses	665.7
<b>Net Position - End of year</b>	<b>\$ 64.5</b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$665.7 thousand. Certain activities were partially funded from those who benefited from the programs (\$2.3 thousand) or by other governments and organizations that subsidized certain programs with grants and contributions (\$416.0 thousand). We paid for the remaining public benefit portion of our governmental activities with \$311.9 thousand in state foundation allowance.

The Academy's net position at the end of the year met Central Michigan University's (the charter authorizer) financial compliance metric of at least 30 days cash on hand.

### ***The Academy's Funds***

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources others provide to it and may provide more insight into the Academy's overall financial health.

As the Academy completed its first year, the governmental funds reported a combined fund balance of approximately \$64,500.

In the General Fund, our principal operating fund, the fund balance was \$112,017. It was essential to maintain a healthy General Fund fund balance in the first year of operation to ensure the Academy was able to cover unanticipated expenses and/or expenditure rates (e.g., the cost of food service was high in the first year since the Academy was reimbursed for only approximately 50 percent of food costs, given the limited bids received from food service vendors).

### **General Fund Budgetary Highlights**

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2023. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

There were significant revisions made to the 2022-2023 original budget. Budgeted revenue was decreased by \$141,717 due to an unexpected change in certain categorical revenue from the State and an unanticipated decrease in foundation allowance payments due to actual student enrollment being less than original estimates.

Budgeted expenditures were also decreased by \$98,439 to account for the decrease in purchased professional services resulting from the Academy's revised operating plan due to the fluctuations in revenue.

There were no significant variances between the final budget and actual amounts.

#### ***Economic Factors and Next Year's Budgets and Rates***

Our appointed officials and administration consider many factors when setting the Academy's 2023-2024 fiscal year budget. 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 2023-2024 budget was adopted in June 2023 based on an estimate of students who will enroll in September 2023. Approximately 62.6 percent of total General Fund revenue is from the foundation allowance. Under state law, the Academy cannot access additional property tax revenue for general operations. As a result, the Academy's funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2023 school year, we anticipate that the fall student count will approximate the estimates used in creating the 2023-2024 budget. Once the final student count and related per 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 appropriation to the Academy. The State periodically holds a Revenue Estimating Conference to estimate revenue. Based on the results of the most recent conference, the State estimates there may be an increase in per pupil funding for 2023-2024.

#### ***Contacting the Academy's Management***

This financial report is intended to provide users of the report with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Academy.

**June 30, 2023**

Governmental  
Activites

**Assets**

Cash (Note 4)

\$ 62,017

Receivables - Due from other governmental units

64,884

**Liabilities** - Due to affiliate

62,373

**Net Position** - Unrestricted

\$ 64,528

**Year Ended June 30, 2023**

	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
<b>Functions/Programs</b>				
Primary government - Governmental activities:				
Instruction	\$ 387,027	\$ 2,379	\$ 256,011	\$ (128,637)
Support services	210,053	-	138,862	(71,191)
Food services	68,632	-	21,143	(47,489)
Total primary government	<b>\$ 665,712</b>	<b>\$ 2,379</b>	<b>\$ 416,016</b>	(247,317)
General revenue - State aid not restricted to specific purposes				311,890
<b>Change in Net Position</b>				64,573
<b>Net Position (Deficit) - Beginning of year</b>				(45)
<b>Net Position - End of year</b>				<b>\$ 64,528</b>

**Governmental Funds  
Balance Sheet**

**June 30, 2023**

	General Fund	Food Service Fund	Total Governmental Funds
<b>Assets</b>			
Cash (Note 4) (Note 4)	\$ 62,017	\$ -	\$ 62,017
Receivables - Due from other governmental units	64,884	-	64,884
Due from other funds (Note 5)	47,489	-	47,489
Total assets	<b>\$ 174,390</b>	<b>\$ -</b>	<b>\$ 174,390</b>
<b>Liabilities</b>			
Due to affiliate (Note 7)	\$ 62,373	\$ -	\$ 62,373
Due to other funds (Note 5)	-	47,489	47,489
Total liabilities	62,373	47,489	109,862
<b>Fund Balance (Deficit) - Unassigned</b>	112,017	(47,489)	64,528
Total liabilities and fund balance (deficit)	<b>\$ 174,390</b>	<b>\$ -</b>	<b>\$ 174,390</b>

## KIPP Detroit Imani Academy

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### Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

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**June 30, 2023**

<b>Fund Balances Reported in Governmental Funds</b>	\$ 64,528
No reconciling items	-
<b>Net Position of Governmental Activities</b>	<u><u>\$ 64,528</u></u>

**Governmental Funds**  
**Statement of Revenue, Expenditures, and Changes in Fund Balances**

**Year Ended June 30, 2023**

	General Fund	Food Service Fund	Total Governmental Funds
<b>Revenue</b>			
Local and private sources	\$ 363,389	\$ -	\$ 363,389
State sources	343,457	-	343,457
Federal sources	2,296	21,143	23,439
Total revenue	709,142	21,143	730,285
<b>Expenditures</b>			
Current:			
Instruction	387,027	-	387,027
Support services	210,053	-	210,053
Food services	-	68,632	68,632
Total expenditures	597,080	68,632	665,712
<b>Net Change in Fund Balances</b>	112,062	(47,489)	64,573
<b>Fund Balance (Deficit) - Beginning of year</b>	(45)	-	(45)
<b>Fund Balance (Deficit) - End of year</b>	\$ 112,017	\$ (47,489)	\$ 64,528

**KIPP Detroit Imani Academy**

**Governmental Funds**

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in  
Fund Balances to the Statement of Activities**

**Year Ended June 30, 2023**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	\$ 64,573
No reconciling items	<u>-</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 64,573</u></u>



June 30, 2023

**Note 1 - Nature of Business**

KIPP Detroit Imani Academy (the "Academy") was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982 on March 10, 2021. This was the first year the Academy was in operations for the school year.

KIPP Detroit Imani Academy operates under a contract with Central Michigan University (CMU) to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the state constitution. CMU is a limited fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy's contract with CMU expires on June 30, 2027.

The Academy pays CMU 3 percent of its state aid revenue as an administrative fee. The total fee expended and paid to CMU for the year ended June 30, 2023 was \$14,522.

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the Academy. Based on application of the criteria, the Academy does not contain component units.

**Note 2 - Significant Accounting Policies*****Accounting and Reporting Principles***

The Academy follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Academy:

***Basis of Accounting***

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Academy has spent its resources.

Expenditures are reported when the goods are received or the services are rendered.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Academy considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

***Report Presentation***

Governmental accounting principles require that financial reports include two different perspectives - the academy-wide perspective and the fund-based perspective. The academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Academy. The academy-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-basis presentation found in the fund-based statements.

**Note 2 - Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Unrestricted intergovernmental receipts and other items not properly included among program revenue are reported instead as general revenue.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

***Fund Accounting***

The Academy accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the Academy to show the particular expenditures for which specific revenue is used.

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Academy reports the following funds as major governmental funds:

- General Fund - The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- Food Service Fund - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The Academy has one major special revenue fund - the Food Service Fund. Revenue sources for the Food Service Fund include dedicated grants from state and federal sources. Any operating deficit generated by these activities is the responsibility of the General Fund.

***Specific Balances and Transactions***

**Cash**

Cash includes cash on hand and demand deposits.

**Receivables and Payables**

In general, outstanding balances between funds are reported as due to/from other funds. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

**Net Position**

Net position of the Academy is classified as unrestricted net position, which is net position that does not meet the definition of restricted.

**Note 2 - Significant Accounting Policies (Continued)****Net Position Flow Assumption**

The Academy will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the academy-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumptions**

The Academy will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Academy that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. The Academy has, by resolution, authorized the board president and superintendent to assign fund balance. The board president and superintendent may also assign fund balance as they do when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Grants and Contributions**

The Academy receives federal, state, and local grants, as well as contributions from individuals and private organizations. The Academy recognized revenue of \$360,000 related to unrestricted, private source grants awarded by various foundations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

June 30, 2023

**Note 2 - Significant Accounting Policies (Continued)**

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including October 18, 2023, which is the date the financial statements were available to be issued.

**Note 3 - 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. The Academy did not adopt a separate budget for the major food service fund. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits academies to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

***Excess of Expenditures Over Appropriations in Budgeted Funds***

The Academy did not have significant expenditure budget variances.

***Fund Deficit and Management's Plan***

The Academy had a fund balance (deficit) in the Food Service Fund of \$47,489 at June 30, 2023. This was the first year of operations for the Academy, and it will obtain funding to offset the fund's operations in the future years.

**Note 4 - Deposits**

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy does not currently hold any investments. The Academy's deposits are in accordance with statutory authority.

The Academy has designated one bank for the deposit of its funds.

The Academy's cash is subject to custodial credit risk, which is examined in more detail below:

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy evaluates its depositories, and only those with an acceptable risk level are used for the Academy's deposits. At year end, the Academy had no bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized.

At year end, the Academy's deposits were reported in the basic financial statements as cash of \$62,017.

**Note 5 - Interfund Receivables, Payables, and Transfers**

Interfund balances include \$47,489 owed from the Food Service Fund to the General Fund. These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

June 30, 2023

**Note 6 - Risk Management**

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company is covered by the insurance held by the management company.

**Note 7 - Related Party Transactions**

The Academy engages in significant related party transactions with KIPP Whole Child Center d/b/a KIPP Michigan (KIPP). These transactions are outlined as follows:

***Operating Lease***

The Academy entered into two sublease agreements with KIPP for the Academy's facilities. The base rent payments on the subleases are \$4,124 and \$3,748. The subleases expired on June 30, 2023 and were renewed through June 30, 2024. Total rental expense paid to KIPP for the year ended June 30, 2023 was \$87,020.

***Management Agreement***

The Academy entered into a management agreement with KIPP that expires on June 30, 2027. Under the terms of this agreement, the annual management fee is equal to 12 percent of the Academy's state funds received for the school year ended June 30, 2023. The management company is responsible for all management, operation, administration, and education of the Academy. All academy personnel are provided by the management company. The total management fee expensed by the Academy for the year ended June 30, 2023 was \$41,490.

***Due to Affiliate***

At June 30, 2023, the Academy owes KIPP \$62,373 for rent, operating costs, administrative support, and reimbursement for purchased contracted services and expenses paid by KIPP on behalf of the Academy.

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## Required Supplementary Information

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**KIPP Detroit Imani Academy**

**Required Supplementary Information  
Budgetary Comparison Schedule - General Fund**

**Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
<b>Revenue</b>				
Local and private sources	\$ 640,960	\$ 641,010	\$ 363,389	\$ (277,621)
State sources	452,364	370,597	343,457	(27,140)
Federal sources	90,000	30,000	2,296	(27,704)
Total revenue	1,183,324	1,041,607	709,142	(332,465)
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	375,308	375,379	310,525	(64,854)
Added needs	78,640	80,538	76,502	(4,036)
Support services:				
Pupil	6,000	10,200	10,158	(42)
General administration	228,816	144,145	50,846	(93,299)
School administration	70,987	51,000	-	(51,000)
Business	39,000	39,000	-	(39,000)
Operations and maintenance	121,500	121,550	103,162	(18,388)
Central	41,550	41,550	38,586	(2,964)
Other	96,600	96,600	7,301	(89,299)
Total expenditures	1,058,401	959,962	597,080	(362,882)
<b>Net Change in Fund Balance</b>	124,923	81,645	112,062	30,417
<b>Fund Balance (Deficit) - Beginning of year</b>	(45)	(45)	(45)	-
<b>Fund Balance - End of year</b>	<b>\$ 124,878</b>	<b>\$ 81,600</b>	<b>\$ 112,017</b>	<b>\$ 30,417</b>