

Audited Financial Statements

Dove Academy of Detroit

Detroit, Michigan

June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Dove Academy of Detroit

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dove Academy of Detroit, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Dove Academy of Detroit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dove Academy of Detroit as of June 30, 2017, and the respective changes in financial position, thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dove Academy of Detroit's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017, on our consideration of the Dove Academy of Detroit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Dove Academy of Detroit's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Croskey Lanni, PC". The signature is written in a cursive style.

Croskey Lanni, PC

October 25, 2017
Rochester, Michigan

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Dove Academy of Detroit’s annual financial report presents our discussion and analysis of the public school Academy’s financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

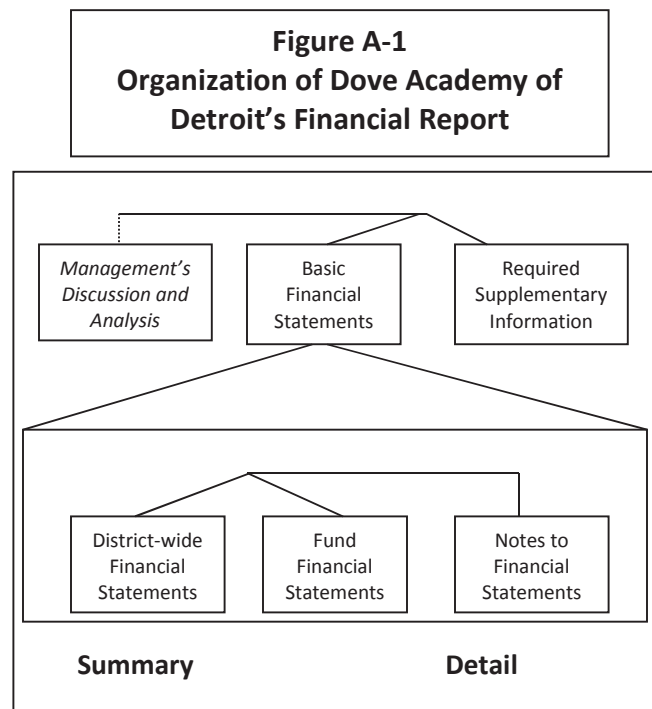
Financial Highlights

- The Academy had an increase in the general fund balance of \$294,786. This gives the Academy a general fund balance of \$1,393,380.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are academy-wide *financial statements* that provide both short-term and long-term information about the Academy’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy’s operations in more detail than the academy-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-2 summarized the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Academy-Wide and Fund Financial Statements

	Academy-wide statements	Governmental funds	Fiduciary funds
Scope	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary	Instances in which the academy administers resources on behalf of someone else, such as student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, the academy's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

The two Academy-wide statements report the Academy's net position and how they have changed. Net position - the difference between the Academy's assets, deferred outflows, liabilities and deferred inflows, are one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy's enrollment, the condition of school buildings and other facilities, and the Academy's ability to be competitive with other public school academies and area school districts.

Governmental activities - The Academy's basic services are included here, such as regular and special education and administration. State foundation aid finances most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The Academy establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or show that it is properly using certain revenues (like school lunch).

The Academy has only governmental funds - Most of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Financial Analysis of the Academy as a Whole

The Academy's combined net position of \$2,955,991 increased by \$343,376 during the year.

The total revenues increased 9.7% to \$4,809,473. State aid foundation allowance included in revenue from state sources accounts for 69% of the Academy's revenue. Blended enrollment increased 2.63 students to 439.83 students.

The total cost of instruction increased 5.6% to \$2,084,488. Support services increased 9.4% to \$2,114,500.

Financial Analysis of The Academy's Funds

The financial operation of the Academy is considered stable. The general fund balance at June 30, 2017 is \$1,393,380 or 35% of expenditures.

General Fund Budgetary Highlights

Over the course of the year, the Academy revised the general fund annual operating budget to stay within its budgetary plan.

While the Academy's final budget for the general fund anticipated revenues would be greater than expenditures and other financing sources or uses by \$222,581, the actual results for the year showed an increase in fund balance of \$294,786.

Actual revenues were \$32,897 more than budget primarily due to additional E-Rate funding received during the year.

Actual expenditures were \$39,308 under budget primarily due successful budget monitoring.

Academy Governmental Activities

	<u>2017</u>	<u>2016</u>
Current assets and deferred outflows	\$ 1,983,650	\$ 1,876,612
Capital assets, net	<u>2,691,678</u>	<u>2,628,696</u>
Total assets and deferred outflows	4,675,328	4,505,308
Current liabilities	630,063	736,647
Long-term debt, long-term portion	<u>1,089,274</u>	<u>1,156,046</u>
Total liabilities and deferred inflows	1,719,337	1,892,693
Net position:		
Net investments in capital assets	1,535,632	1,409,443
Restricted	-	74,244
Unrestricted	<u>1,420,359</u>	<u>1,128,928</u>
Total net position	<u>\$ 2,955,991</u>	<u>\$ 2,612,615</u>

Figure A-4
Changes in Dove Academy of Detroit's Net Position

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 1,371,889	\$ 975,193
Charges for service	7,709	2,955
Total program revenues	<u>1,379,598</u>	<u>978,148</u>
General revenues:		
State aid - unrestricted	3,324,757	3,252,244
Other	81,696	100,281
Total general revenues	<u>3,406,453</u>	<u>3,352,525</u>
Total revenues	<u>4,786,051</u>	<u>4,330,673</u>
Expenses:		
Instruction	2,084,488	1,974,443
Support services	1,788,289	1,634,827
Community services	18,931	23,406
Food service	326,211	300,491
Unallocated depreciation	159,564	155,144
Unallocated interest	65,192	68,583
Total expenses	<u>4,442,675</u>	<u>4,156,894</u>
Change in net position	<u>\$ 343,376</u>	<u>\$ 173,779</u>

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2017, the Academy had invested \$2,691,678 in capital assets net of accumulated depreciation as summarized in Figure A-5. This amount represents a net increase of \$62,982 from the beginning of the year. Total depreciation expense for the year was \$159,564. More detailed information about capital assets can be found in Note 5 to the financial statements.

The Academy's capital assets are as follows:

	Balance June 30, 2017	Balance June 30, 2016
Leasehold improvements	\$ 2,885,737	\$ 2,724,445
Furniture and equipment	550,252	488,998
Total cost	3,435,989	3,213,443
Less accumulated depreciation	744,311	584,747
Net book value	<u>\$ 2,691,678</u>	<u>\$ 2,628,696</u>

Long-Term Debt

The Academy has long-term debt in the amount of \$1,156,046 as of June 30, 2017.

Factors Bearing on The Academy's Future

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

- The Academy has adopted a balanced general fund budget for 2017/2018.
- The charter agreement with Oakland University expires June 30, 2022.
- The school aid budget for 2017/2018 has been approved by the state legislature.

Contacting The Academy's Financial Management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's Management Company, Choice Schools Associates, at 5251 Clyde Park Avenue SW, Wyoming, Michigan, 49509. Phone (616) 785-8440.

DOVE ACADEMY OF DETROIT

STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$	748,827
Accounts receivable		11,543
Due from agency funds		12,500
Due from other governmental units		1,025,977
Prepaid expenses		184,803
		<hr/>
Total current assets		1,983,650

Capital Assets - Net of Accumulated Depreciation

2,691,678

Total assets and deferred outflows

\$ 4,675,328

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$	60,863
Notes payable		143,324
Unearned revenue		130,024
Other accrued expenses		229,080
Long-term debt - current portion		66,772
		<hr/>
Total current liabilities		630,063

Long-Term Debt - Long-Term Portion

1,089,274

Net Position

Net investment in capital assets		1,535,632
Unrestricted		1,420,359
		<hr/>
Total net position		2,955,991
		<hr/>
Total liabilities, deferred inflows and net position	\$	<u>4,675,328</u>

See accompanying notes to financial statements

DOVE ACADEMY OF DETROIT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 1,529,982	\$ -	\$ 396,298	\$ (1,133,684)
Added needs	554,506	-	568,049	13,543
Support services				
Pupil support services	127,656	-	43,756	(83,900)
Instructional staff support services	56,201	-	27,152	(29,049)
General administration	558,060	-	-	(558,060)
School administration	362,872	-	-	(362,872)
Business support services	68,000	-	2,500	(65,500)
Operations and maintenance	497,748	-	100	(497,648)
Pupil transportation services	1,750	-	1,750	-
Central support services	109,755	-	-	(109,755)
Athletic activities	6,247	-	-	(6,247)
Food services	326,211	-	331,808	5,597
Community services	18,931	7,709	476	(10,746)
Unallocated depreciation	159,564	-	-	(159,564)
Unallocated interest	65,192	-	-	(65,192)
Total primary government	\$ 4,442,675	\$ 7,709	\$ 1,371,889	(3,063,077)
General Purpose Revenues				
State school aid - unrestricted				3,324,757
Miscellaneous revenues				81,696
Total general purpose revenues				3,406,453
Change in net position				343,376
Net position - July 1, 2016				2,612,615
Net position - June 30, 2017				\$ 2,955,991

See accompanying notes to financial statements

DOVE ACADEMY OF DETROIT

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2017

ASSETS

	General	Non-Major	Total
Cash and cash equivalents	\$ 707,846	\$ 40,981	\$ 748,827
Accounts receivable	11,543	-	11,543
Due from agency funds	12,500	-	12,500
Due from other governmental units	1,012,702	13,275	1,025,977
Due from other funds	33,365	5,902	39,267
Prepaid expenses	184,803	-	184,803
	\$ 1,962,759	\$ 60,158	\$ 2,022,917
Total assets			

LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE

Liabilities

Accounts payable	\$ 53,848	\$ 7,015	\$ 60,863
Notes payable	143,324	-	143,324
Due to other funds	5,902	33,365	39,267
Unearned revenue	130,024	-	130,024
Other accrued expenses	223,781	-	223,781
	556,879	40,380	597,259
Total liabilities			

Deferred Inflows of Resources

Unavailable revenue	12,500	-	12,500
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Fund Balance

Nonspendable	184,803	-	184,803
Restricted	-	19,778	19,778
Assigned	202,250	-	202,250
Unassigned	1,006,327	-	1,006,327
	1,393,380	19,778	1,413,158
Total fund balance			

Total liabilities and fund balance	\$ 1,962,759	\$ 60,158	\$ 2,022,917
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See accompanying notes to financial statements

DOVE ACADEMY OF DETROIT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:

Total Governmental Fund Balances	\$ 1,413,158
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$3,435,989 and the accumulated depreciation is \$744,311.	2,691,678
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(5,299)
Deferred inflows of resources (unavailable revenue) not available to benefit the current period and are not reported in the statement of net position.	12,500
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,156,046)</u>
Net Position of Governmental Activities	<u><u>\$ 2,955,991</u></u>

See accompanying notes to financial statements

DOVE ACADEMY OF DETROIT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Non-Major</u>	<u>Total</u>
Revenues			
Local sources	\$ 112,827	\$ -	\$ 112,827
State sources	3,878,644	6,054	3,884,698
Federal sources	459,776	325,754	785,530
Interdistrict sources	26,418	-	26,418
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	4,477,665	331,808	4,809,473
Expenditures			
Instruction			
Basic programs	1,529,982	-	1,529,982
Added needs	554,506	-	554,506
Support services			
Pupil support services	127,656	-	127,656
Instructional staff support services	56,201	-	56,201
General administration	558,060	-	558,060
School administration	362,872	-	362,872
Business support services	68,000	-	68,000
Operations and maintenance	497,748	-	497,748
Pupil transportation services	1,750	-	1,750
Central support services	109,755	-	109,755
Athletic activities	6,247	-	6,247
Food services	-	326,211	326,211
Community services	18,931	-	18,931
Capital outlay	109,751	112,795	222,546
Debt principal and interest	-	128,688	128,688
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	4,001,459	567,694	4,569,153
Excess (deficiency) of revenues over expenditures	476,206	(235,886)	240,320
Other Financing Sources (Uses)			
Operating transfers in	-	181,420	181,420
Operating transfers out	(181,420)	-	(181,420)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(181,420)	181,420	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	294,786	(54,466)	240,320
Fund balance - July 1, 2016	1,098,594	74,244	1,172,838
	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2017	\$ 1,393,380	\$ 19,778	\$ 1,413,158
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See accompanying notes to financial statements

DOVE ACADEMY OF DETROIT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$	240,320
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$	222,546	
Depreciation and amortization expense		<u>(159,564)</u>	62,982

Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days of year end.	(23,422)
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$	63,207	
Interest expense		<u>289</u>	<u>63,496</u>

Change in Net Position of Governmental Activities	\$	<u>343,376</u>
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See accompanying notes to financial statements

DOVE ACADEMY OF DETROIT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

ASSETS

Cash and cash equivalents	\$	6,496
Due from student groups		<u>6,004</u>
Total assets	\$	<u><u>12,500</u></u>

LIABILITIES

Due to general fund	\$	<u>12,500</u>
Total liabilities	\$	<u><u>12,500</u></u>

DOVE ACADEMY OF DETROIT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Dove Academy of Detroit (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Dove Academy of Detroit 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 entered into a contract with Oakland University’s Board of Trustees to charter a public school academy through June 30, 2022. 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. The University’s Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays Oakland University’s Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2017 were approximately \$108,970.

In June 2016, the Academy entered into a one year agreement with Choice Schools Associates, “Choice”. Under the terms of this agreement, Choice provides a variety of services including human resources, educational programs, and consulting. The annual management fee is equal to the sum of \$370,000 plus 10 percent of all state and federal funds received in excess of \$3,700,000, less amounts retained by the authorizer. Total paid for these services amounted to approximately \$429,160 for the year ended June 30, 2017. The agreement was renewed for an additional five year period ending June 30, 2022.

The accompanying 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 public school academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Basis of Presentation – Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

DOVE ACADEMY OF DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Fund - The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Fiduciary Fund – The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible 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 sixty days of the end of the current fiscal period.
- b. Payments for inventoriable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.

DOVE ACADEMY OF DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government - wide financial statements.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures.

DOVE ACADEMY OF DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held no investments during the year ended June 30, 2017. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

Receivables at June 30, 2017 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2017 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

DOVE ACADEMY OF DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position

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

Fund Equity

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

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

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

- 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.

DOVE ACADEMY OF DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed or assigned fund balances are available. There are no governmental funds with a deficit.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2017 the budget was amended in a legally permissible manner. Page 19 of these financial statements compares the actual expenditures against amounts appropriated.

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2017, the Academy held no investments.

DOVE ACADEMY OF DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2017, \$641,480 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2017.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

DOVE ACADEMY OF DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

Local sources	\$	41,357
State sources		661,662
Federal sources		322,958
Total	\$	<u>1,025,977</u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets subject to depreciation				
Leasehold improvements	\$ 2,724,445	\$ 161,292	\$ -	\$ 2,885,737
Furniture and equipment	488,998	61,254	-	550,252
Sub-total	3,213,443	222,546	-	3,435,989
Accumulated depreciation				
Leasehold improvements	223,853	98,993	-	322,846
Furniture and equipment	360,894	60,571	-	421,465
Sub-total	584,747	159,564	-	744,311
Total net capital assets	<u>\$ 2,628,696</u>	<u>\$ 62,982</u>	<u>\$ -</u>	<u>\$ 2,691,678</u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

DOVE ACADEMY OF DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2017 can be summarized as follows:

Loan Information

	Interest Rate	Maturity Date	Other
15/16 SAAN	3.20%	August, 2016	Paid in full
16/17 SAAN	1.95%	September, 2017	Issued to provide operating funds for school. Secured by future state school aid payments and Academy assets.

Loan Activity

	Balance July 1, 2016	Additions	Retirements and Payments	Balance June 30, 2017
15/16 SAAN	\$ 105,293	\$ -	\$ 105,293	\$ -
16/17 SAAN	-	522,000	378,676	143,324
	<u>\$ 105,293</u>	<u>\$ 522,000</u>	<u>\$ 483,969</u>	<u>\$ 143,324</u>

NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses can be summarized as follows:

	Net Position	Funds
Purchased services - payroll and benefits	\$ 203,650	\$ 203,650
Management fee	281	281
University oversight fee	19,850	19,850
Interest	5,299	-
Total other accrued expenses	<u>\$ 229,080</u>	<u>\$ 223,781</u>

DOVE ACADEMY OF DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 8 – LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2017:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Building loan	5.50%	December, 2019	Payable monthly at \$10,724. Secured by Academy building.

Loan Activity

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Building Loan	\$ 1,219,253	\$ -	\$ 63,207	\$ 1,156,046	\$ 66,772

Following are maturities of long-term obligations for principal and interest for the next three years:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 66,772	\$ 61,916
2019	70,538	58,150
2020	1,018,736	27,596

NOTE 9 - INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its funds as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ -	\$ 128,688	\$ 52,732
Transfer Out	181,420	-	-

DOVE ACADEMY OF DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

DOVE ACADEMY OF DETROIT

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 33,272	\$ 73,409	\$ 112,827	\$ 39,418
State sources	3,756,931	3,880,078	3,878,644	(1,434)
Federal sources	402,395	464,863	459,776	(5,087)
Interdistrict sources	26,418	26,418	26,418	-
Total general fund revenues	4,219,016	4,444,768	4,477,665	32,897
Expenditures				
Instruction				
Basic Programs	1,757,126	1,641,933	1,529,982	(111,951)
Added needs	490,055	602,265	554,506	(47,759)
Support Services				
Pupil support services	125,639	140,000	127,656	(12,344)
Instructional staff support services	121,895	63,753	56,201	(7,552)
General administration	520,946	565,985	558,060	(7,925)
School administration	381,470	355,911	362,872	6,961
Business support services	59,136	69,936	68,000	(1,936)
Operations and maintenance	405,200	503,737	497,748	(5,989)
Pupil transportation services	2,000	2,000	1,750	(250)
Central support services	79,000	66,000	109,755	43,755
Athletic activities	6,000	6,500	6,247	(253)
Community services	40,743	22,747	18,931	(3,816)
Capital outlay	-	-	109,751	109,751
Total general fund expenditures	3,989,210	4,040,767	4,001,459	(39,308)
Excess (deficiency) of revenues over expenditures	229,806	404,001	476,206	72,205
Other Financing Sources (Uses)				
Operating transfers out	(178,688)	(181,420)	(181,420)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	51,118	222,581	294,786	72,205
Fund balance - July 1, 2016	1,098,594	1,098,594	1,098,594	-
Fund balance - June 30, 2017	<u>\$ 1,149,712</u>	<u>\$ 1,321,175</u>	<u>\$ 1,393,380</u>	<u>\$ 72,205</u>

DOVE ACADEMY OF DETROIT

COMBINING BALANCE SHEET – NON-MAJOR FUNDS
JUNE 30, 2017

ASSETS

	Special Revenue	Capital Projects	Total
Cash and cash equivalents	\$ 7,616	\$ 33,365	\$ 40,981
Due from other governmental units	13,275	-	13,275
Due from other funds	5,902	-	5,902
 Total assets	 \$ 26,793	 \$ 33,365	 \$ 60,158

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 7,015	\$ -	\$ 7,015
Due to other funds	-	33,365	33,365
 Total liabilities	 7,015	 33,365	 40,380

Fund Balance

Restricted	19,778	-	19,778
 Total liabilities and fund balance	 \$ 26,793	 \$ 33,365	 \$ 60,158

DOVE ACADEMY OF DETROIT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – NON-MAJOR FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue	Debt Service	Capital Projects	Total
Revenues				
State sources	\$ 6,054	\$ -	\$ -	\$ 6,054
Federal sources	325,754	-	-	325,754
Total governmental fund revenues	331,808	-	-	331,808
Expenditures				
Support services				
Food services	326,211	-	-	326,211
Capital outlay	-	-	112,795	112,795
Debt principal and interest	-	128,688	-	128,688
Total governmental fund expenditures	326,211	128,688	112,795	567,694
Excess (deficiency) of revenues over expenditures	5,597	(128,688)	(112,795)	(235,886)
Other Financing Sources (Uses)				
Operating transfers in	-	128,688	52,732	181,420
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	5,597	-	(60,063)	(54,466)
Fund balance - July 1, 2016	14,181	-	60,063	74,244
Fund balance - June 30, 2017	\$ 19,778	\$ -	\$ -	\$ 19,778

DOVE ACADEMY OF DETROIT

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

Local Sources

Other local revenues	\$	112,827
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State Sources

At risk	273,716
Great start readiness program	262,833
Special education	17,338
State aid	3,324,757
	<hr/>

Total state sources	3,878,644
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Federal Sources

IDEA	80,320
Title I	367,458
Title II A	11,998
	<hr/>

Total federal sources	459,776
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Interdistrict Sources

	<hr/>	26,418
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Total general fund revenues	\$	<u>4,477,665</u>
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DOVE ACADEMY OF DETROIT

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

Basic Programs

Purchased services	\$ 1,398,709
Rentals	29,680
Supplies and materials	101,515
Other expenditures	78
	<hr/>
Total basic programs	1,529,982

Added Needs

Purchased services	407,048
Supplies and materials	142,115
Non-depreciable capital assets	5,343
	<hr/>
Total added needs	554,506

Pupil Support Services

Health services	1,201
Psychological services	22,075
Speech pathology and audiology	41,328
Social work services	63,052
	<hr/>
Total pupil support services	127,656

Instructional Staff Support Services

Purchased services	51,561
Other expenditures	4,640
	<hr/>
Total instructional staff support services	56,201

General Administration

Purchased services	555,524
Other expenditures	2,536
	<hr/>
Total general administration	558,060

School Administration

Purchased services	315,308
Repairs and maintenance	1,938
Supplies and materials	8,364
Non-depreciable capital assets	9,447
Other expenditures	27,815
	<hr/>
Total school administration	362,872

DOVE ACADEMY OF DETROIT

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2017

Business Support Services

Purchased services	59,198
Other expenditures	<u>8,802</u>
Total business support services	68,000

Operations and Maintenance

Purchased services	249,851
Repairs and maintenance	181,516
Other purchased services	8,704
Supplies and materials	57,577
Other expenditures	<u>100</u>
Total operations and maintenance	497,748

Pupil Transportation Services

Purchased services	1,750
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Central Support Services

Purchased services	39,108
Repairs and maintenance	64,787
Other purchased services	<u>5,860</u>
Total central support services	109,755

Athletic Activities

Purchased services	6,247
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Community Services

Purchased services	16,179
Supplies and materials	742
Other expenditures	<u>2,010</u>
Total community services	18,931

Capital Outlay

	<u>109,751</u>
Total general fund expenditures	<u><u>\$ 4,001,459</u></u>

APPENDIX

Federal Awards Report

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

To the Board of Directors of Dove Academy of Detroit

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dove Academy of Detroit, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Dove Academy of Detroit's basic financial statements, and have issued our report thereon dated October 25, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Croskey Lanni, PC

October 25, 2017
Rochester, Michigan



David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA, CFP® MST
Clifton F. Powell Jr., CPA, CFP®, PFS
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Patrick M. Sweeney, CPA
Leonard A. Geronemus, CPA, PFS

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
of Dove Academy of Detroit**

Report on Compliance for Each Major Federal Program

We have audited the Dove Academy of Detroit's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Dove Academy of Detroit's major federal programs for the year ended June 30, 2017. Dove Academy of Detroit's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Dove Academy of Detroit's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Dove Academy of Detroit's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Dove Academy of Detroit's compliance.

Opinion on Each Major Federal Program

In our opinion, Dove Academy of Detroit 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, 2017.

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Report on Internal Control over Compliance

Management of Dove Academy of Detroit is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Dove Academy of Detroit's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Dove Academy of Detroit's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Croskey Lanni, PC

October 25, 2017
Rochester, Michigan

DOVE ACADEMY OF DETROIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Program Title/Project Number Subrecipient Name	Grant/Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2016	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Current Year Cash Transferred To Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through Michigan Department of Education:										
Noncash Assistance (Commodities) - National Lunch Program Bonus Commodities 2016-17										
	N/A	10.555	\$ 13,086	\$ -	\$ -	\$ -	\$ 13,086	\$ 13,086	\$ -	\$ -
Cash Assistance:										
	161960/171960	10.555	174,915	-	-	-	174,915	174,915	-	-
		10.555	188,001	-	-	-	188,001	188,001	-	-
	161970/171970	10.553	115,754	-	-	-	115,754	115,754	-	-
			303,755	-	-	-	303,755	303,755	-	-
Total Child Nutrition Cluster										
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County RESA										
IDEA Flowthrough:										
	161450	84.027	60,663	60,663	60,663	-	60,663	-	-	-
	171450	84.027	80,320	-	-	-	76,172	80,320	4,148	-
		84.027	140,983	60,663	60,663	-	136,835	80,320	4,148	-

See accompanying notes to schedules of expenditures of federal awards

DOVE ACADEMY OF DETROIT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2016	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Current Year Cash Transferred To Subrecipient
Other federal awards:										
Passed through the Michigan Department of Education:										
Titl Fresh Fruit and Vegetable Program:										
Fresh Fruit and Vegetable Program 1617	170950	10.582	22,000	-	-	-	22,000	22,000	-	-
Title I Part A:										
Title I Part A 1516	161530	84.010	327,698	205,966	105,025	-	178,945	73,920	-	-
Title I Part A 1617	171530	84.010	343,728	-	-	-	-	293,537	293,537	-
Total Title I Part A			671,426	205,966	105,025	-	178,945	367,457	293,537	-
Title II Part A - Improving Teacher Quality										
Title II Part A 1516	160520	84.367	31,761	10,140	7,139	-	7,139	-	-	-
Title II Part A 1617	170520	84.367	32,650	-	-	-	-	11,998	11,998	-
Total Title II Part A			64,411	10,140	7,139	-	7,139	11,998	11,998	-
Total noncluster programs passed through the Michigan Department of Education										
			757,837	216,106	112,164	-	208,084	401,455	305,535	-
Total Federal Awards			\$1,202,575	\$ 276,769	\$ 172,827	\$ -	\$ 648,674	\$ 785,530	\$ 309,683	\$ -

See accompanying notes to schedules of expenditures of federal awards

DOVE ACADEMY OF DETROIT

RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

Revenues to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements
(includes all funds):

General fund	\$ 459,776
Special revenue fund	<u>325,754</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 785,530</u>

Receivables

Receivables from federal sources - As reported on financial statements	\$ 322,958
Timing difference between MDE payment and Academy receipt	<u>13,275</u>
Federal receivables per the schedule of expenditures of federal awards	<u>\$ 309,683</u>

DOVE ACADEMY OF DETROIT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Dove Academy of Detroit under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Dove Academy of Detroit, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Dove Academy of Detroit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

Dove Academy of Detroit has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - NONCASH ASSISTANCE

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

NOTE 5 - GRANT AUDITOR'S REPORT

Management has utilized the Grant Auditor's report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

DOVE ACADEMY OF DETROIT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes 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 2 CFR section 200.516(a)? yes no

Identification of major programs:

CFDA Number(s)
#84.010

Name of Federal Program or Cluster
Title I Part A

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b): \$750,000

Auditee qualified as low-risk auditee? yes no

DOVE ACADEMY OF DETROIT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

October 25, 2017

To the School Board and Management of
Dove Academy of Detroit

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dove Academy of Detroit for the year ended, June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Dove Academy of Detroit are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by Dove Academy of Detroit 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. The most sensitive estimates affecting the Academy's financial statements was:

Management's estimate of depreciation is based on management's best judgement of the useful lives of the assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our 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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each Academy's financial statements taken as a whole.

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, October 25, 2017.

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 Dove Academy of Detroit'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 Dove Academy of Detroit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, and the Budgetary Comparison Schedule and Schedule of Expenditures of Federal Awards, which are 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.

We were engaged to report on the Schedules of Revenues and Expenditures, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,



Croskey Lanni, PC