

Discovery Creative Pathways
Audited Financial Statements

June 30, 2026

Prepared by Taylor & Morgan, P.C.

2302 Stonebridge Drive, Bldg. D | Flint, MI 48532 | 810.230.8200

www.tmcpa.com

DISCOVERY CREATIVE PATHWAYS
TABLE OF CONTENTS

	<u>Page</u>
<u>Financial Section</u>	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet-Governmental Funds	10
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14-21
Required Supplemental Information:	
Budgetary Comparison Schedule-General Fund	22
Notes to Required Supplemental Information	23-24
Independent Auditors' Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25-26

INDEPENDENT AUDITORS' REPORT

Board of Education
Discovery Creative Pathways

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Discovery Creative Pathways (the "Academy") as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Discovery Creative Pathways as of June 30, 2026, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Discovery Creative Pathways, 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 Discovery Creative Pathways' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material, if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Discovery Creative Pathway'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 Discovery Creative Pathway'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 Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplemental information, as indicated by the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 15, 2026, on our consideration of Discovery Creative Pathways' 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 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 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 Discovery Creative Pathways' internal control over financial reporting and compliance.

Sincerely,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants
Flint MI
October 15, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD & A)

DISCOVERY CREATIVE PATHWAYS MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Discovery Creative Pathways(the Academy) annual financial report presents our discussion and analysis of the school's financial performance during the fiscal year that ended on June 30, 2026. Please read it in conjunction with the school's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Government-wide revenues were \$12,924,754, while expenses were \$13,182,030
- At June 30, 2026, the Academy's assets exceeded its liabilities by \$2,751,682

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of a series of financial statements that show information for the Academy and its funds. The Statement of Net Position and the Statement of Activities provide information about the activities of the Academy as a whole and presents a longer-term view of the Academy's finances. Our fund financial statements are included later in the financial report. For our governmental activities, these statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements may give you some insights into the Academy's overall financial health. Fund financial statements also report operations in more detail than the government-wide financial statements by providing information about the most significant fund, the general fund.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported in compliance with GASB 34. These statements present information on the Academy's finances in a manner similar to private sector businesses. One of the most important questions asked about the Academy is, "Is the Academy as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Position and Statement of Activities report information on the Academy as a whole and its activities in a way that helps answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The Statement of Net Position shows assets and liabilities, with the difference between the two reported as net position. All capital assets, long-term liabilities, and general government functions are shown in the Statement of Net Position. The Statement of Activities shows revenues, expenses, and the change in net position for the Academy as a whole. Revenues and expenses attributable to specific functions are segregated from general revenues, to display the extent to which program revenues support each function.

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

The Academy's combined net position was \$2,751,682 on June 30, 2026. The following is a summary of the Academy's net position for June 30, 2026, and June 30, 2025 and the revenues and expenses for governmental activities are presented further below.

A large portion of the Academy's net position reflect investments in capital assets (leasehold improvements, equipment and furniture and "right to use" real estate), less any related outstanding debt used to acquire those assets. Currently, due to the special financing, used to construct the buildings the debt related to the building is greater than the acquisition cost of the building at June 30, 2026 resulting in a negative investment in capital assets of \$127,999. However, that does not mean that the building's fair market value is less than the outstanding debt.

The Academy uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources.

The Statement of Activities presented later in the government-wide financial statements provides greater detail on the Academy's annual activity. The cost of the Academy's governmental activities for the year was \$13,182,030. These activities are paid for with state pupil foundation aid, grants, charges for services, contributions, and other miscellaneous revenues.

The net position of the governmental activities at June 30, 2026 and 2025 and the statements of activities for the years ended June 30, 2026 and 2025 are presented below for comparative purposes.

	2026	2025	Dollar Change	Percentage Change
Assets				
Current Assets	\$ 4,697,241	\$ 4,329,675	\$ 631,770	8.5%
Capital Assets, net	<u>4,462,670</u>	<u>4,963,353</u>	<u>2,529,200</u>	-10.1%
Total Assets	9,159,911	9,293,028	3,160,970	-1.4%
Liabilities				
Current Liabilities	1,817,560	1,334,436	351,234	36.2%
Long-Term Liabilities	<u>4,590,669</u>	<u>4,590,669</u>	<u>3,106,330</u>	0.0%
Total Liabilities	6,408,229	5,925,105	2,755,096	8.2%
Net Position.				
Net Investment in Capital Assets	(127,999)	269,294	577,130	-147.5%
Restricted for Capital Improvement	245,025	255,905	255,905	-4.3%
Restricted for Food Service	151,754	110,067	65,177	37.9%
Unrestricted	<u>2,482,902</u>	<u>2,373,362</u>	<u>215,359</u>	4.6%
Total Net Position	\$ <u>2,751,682</u>	\$ <u>3,008,628</u>	\$ <u>857,666</u>	-8.5%

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

During the year ended June 30, 2026, the Academy's expenses of \$13,182,030 exceeded its revenues of \$12,924,754 by \$257,276, ending the year with a net position balance of \$1,794,487. Per pupil funding and student enrollment are the primary factors in determining the revenue and expenses for the Academy. The student count for the year ended June 30, 2026 was 765 students, a decrease of 43 from the prior year. The Academy's per-pupil state aid allowance during 2026 was \$10,500.

	2026	2025	Dollar Change	Percentage Change
Revenues				
Program Revenues				
Federal and State Categorical Grants	4,905,216	4,381,567	523,649	12%
State Aid Unrestricted	7,651,292	7,773,160	(121,868)	-2%
Other	<u>368,246</u>	<u>359,797</u>	<u>8,449</u>	2%
Total General Revenues	<u>8,019,538</u>	<u>8,132,957</u>	<u>(113,419)</u>	-1%
Total Revenues	12,924,754	12,514,524	410,230	3%
Instruction				
Instruction	5,639,960	5,320,315	319,645	6%
Supporte Services	5,996,579	5,544,173	452,406	8%
Food Service	596,211	734,906	(138,695)	-19%
Interest on Long-Term Debt	164,530	136,031	28,499	21%
Unallocated Depreciation	<u>784,750</u>	<u>644,360</u>	<u>140,390</u>	22%
Total Expenses	13,182,030	12,379,785	802,245	6%
Change in Net Position	(257,276)	134,739	(392,015)	-291%
Net Position - July 1	<u>3,008,958</u>	<u>2,874,219</u>	<u>1,300,586</u>	45%
Net Position - June 30	<u>2,751,682</u>	\$ <u>3,008,958</u>	\$ <u>2,515,546</u>	84%

FUND FINANCIAL STATEMENTS

Governmental funds account for the same functions and are reported as governmental activities in the government-wide financial statements. Governmental fund reporting focuses on how money flows in and out of funds and the balances left at year end that are available for spending. They are reported using the accounting method called “modified accrual” accounting, which measures cash and all other financial assets that can be readily converted to cash. This information is essential for preparation of and compliance with annual budgets. 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 reconciliations following the government statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgeted revenue exceeded actual revenue by \$18,020 and budgeted expenditures exceeded actual expenditures by \$26,383. The excess of expenditures over revenues exceeded the budgeted amount by \$26,383.

CAPITAL ASSETS

The Academy had \$4,462,670 invested in capital assets, net of depreciation and amortization, at June 30, 2026. Capital assets included leased (right-to-use) capital assets of \$3,915,829, net of amortization, for long-term building leases. These assets were offset by a long term lease liability of \$4,590,669. Please refer to the notes to the basic financial statements for further information on capital asset additions and current year depreciation and amortization expense.

Capital Assets Summary

	2026	2025	Percentage Change
Land – Not Depreciated	\$ 20,000	\$ 20,000	0%
Leasehold Improvements	180,901	180,901	0%
Furniture and Equipment	1,902,495	1,618,428	18%
Right to Use - Building	5,492,483	5,492,483	0%
Total Capital Assets	<u>7,595,879</u>	<u>7,311,812</u>	4%

Accumulated Depreciation

And Amortization:

Leasehold Improvements	80,303	61,607	30%
Furniture, Equipment & Other	1,476,252	1,195,170	24%
Right to Use - Building	<u>1,576,654</u>	<u>1,091,682</u>	44%
Total Accumulated Depreciation And Amortization	<u>3,133,209</u>	<u>2,348,459</u>	33%

Net Capital Assets	\$ <u>4,462,670</u>	\$ <u>4,963,353</u>	-10%
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OUTSTANDING OBLIGATIONS AT YEAR END

At June 30, 2026, the Academy had two long-term lease obligations for the use of buildings totaling \$4,590,669 at year end. No new debt was issued during the year. Total payments made on the building leases during the year ended June 30, 2026 were \$523,495 and were recognized as principal and interest payments on the Government Funds Statement of Revenues, Expenditures, and Changes in Fund Balance. Long term lease obligations decreased by \$368,965 (7%) due to principal payments made during the year ended June 30, 2026. Please refer to the notes to the basic financial statements for more information

CURRENTLY KNOWN FACTS, DECISIONS, AND CONDITIONS

There are several key factors that could significantly impact the future financial health of the Academy. First and foremost, the Academy remains primarily dependent on per-pupil state aid revenues. For FY2026–2027, the school budgeted for a total enrollment of 803 students, comprising 600 students at DCP Harper Woods and 203 students at DCP Redford, with a budgeted per-pupil foundation allowance of \$10,300 that aligns directly with the Governor’s approved state budget.

Additionally, the Academy continuously evaluates building maintenance and facility needs; to ensure long-term stability against unexpected facility needs. The Academy's Leadership team has accumulated fund balance reserves to provide a secure cushion for unforeseen expenditures. The Academy has worked over the years to strengthen its fund balance by targeting an unrestricted fund balance of 15% to 20% as a percentage of operating expenses, in alignment with recommendations from the Michigan School Business Officials.

REQUESTS FOR INFORMATION

Our financial report is designed to provide our parents, teachers, students, and creditors with an overview of the Academy's finances. If you have any questions about this report or need any clarification of information please contact the Detroit Achievement Academy offices, located at:

Discovery Creative Pathways
19360 Harper Ave,
Harper Woods, MI 48225
(313) 640-0060

BASIC FINANCIAL STATEMENTS

DISCOVERY CREATIVE PATHWAYS
STATEMENT OF NET POSITION
JUNE 30, 2026

	<u>Governmental Activities</u>
Assets	
Cash, Cash Equivalents, and Investments	\$ 1,605,705
Restricted Cash - Capital Improvements	245,025
Due from Other Governmental Units	2,119,096
Other Receivables	562,739
Prepaid Items	90,531
Deposits	74,145
Capital Assets - Net of Accumulated Depreciation and Amortization	<u>4,462,670</u>
Total Assets	<u>9,159,911</u>
Liabilities	
Accounts Payable	615,249
Accrued Salaries and Related Items	731,225
Unearned Revenue	471,086
Long-term Lease Obligation Payables	
Due Within One Year	401,281
Due In More Than One Year	<u>4,189,388</u>
Total Liabilities	<u>6,408,229</u>
Net Position (Deficit)	
Net Investment In Capital Assets	(127,999)
Restricted for Food Services	151,754
Restricted for Capital Improvements	245,025
Unrestricted	<u>2,482,902</u>
Total Net Position	<u>\$ 2,751,682</u>

See accompanying notes to basic financial statements

DISCOVERY CREATIVE PATHWAYS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

	Expenses	Program Revenues		Capital Grants and Contributions.	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Functions/Programs					
Governmental Activities					
Instruction					
Basic Programs	\$ 4,370,019	\$ -	\$ 3,394,404	\$ -	\$ (975,615)
Added Needs	1,269,941	-	353,843	-	(916,098)
Pupil Support	706,121	-	241,763	-	(464,358)
Instructional Staff	297,678	-	23,380	-	(274,298)
General Administration	329,881	-	-	-	(329,881)
School Administration	914,237	-	-	-	(914,237)
Business Support Services	1,589,598	-	-	-	(1,589,598)
Operation and Maintenance	1,220,859	-	-	59,672	(1,161,187)
Transportation	633,914	-	101,702	-	(532,212)
Food Services	596,211	-	713,687	-	117,476
Central Support Services	245,878	-	16,765	-	(229,113)
Athletics	37,704	-	-	-	(37,704)
Community Services	20,709	-	-	-	(20,709)
Interest on Long-Term Debt	164,530	-	-	-	(164,530)
Unallocated Depreciation and Amortization	784,750	-	-	-	(784,750)
Total Governmental Activities	\$ 13,182,030	\$ -	\$ 4,845,544	\$ 59,672	(8,276,814)
General Purpose Revenues					
State School Aid - Unrestricted					7,651,292
Wayne RESA Enhancement Millage					343,295
Miscellaneous					24,951
Total General Revenue					8,019,538
Change in Net Position					(257,276)
Net Position - July 1					3,008,958
Net Position - June 30					\$ 2,751,682

See accompanying notes to basic financial statements

DISVOCERY CREATIVE PATHWAYS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026

	General Fund	Non Major Food Service Fund	Total Governmental Funds
<u>Assets</u>			
Cash, Cash Equivalents, and Investments	\$ 1,605,705	\$ -	\$ 1,605,705
Restricted Cash - Capital Improvement	245,025	-	245,025
Due from Other Governmental Units	2,119,096	-	2,119,096
Grants Receivable	562,739	-	562,739
Due From Other Funds	-	151,754	151,754
Prepaid Items	90,531	-	90,531
Deposits	74,145	-	74,145
	<u>4,697,241</u>	<u>151,754</u>	<u>4,848,995</u>
 Total Assets	 \$ 4,697,241	 \$ 151,754	 \$ 4,848,995
 <u>Liabilities & Fund Balance</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 615,249	\$ -	\$ 615,249
Accrued Salaries and Related Items	731,225	-	731,225
Due to Other Funds	151,754	-	151,754
Unearned Revenue	471,086	-	471,086
	<u>1,969,314</u>	<u>-</u>	<u>1,969,314</u>
 Total Liabilities	 1,969,314	 -	 1,969,314
 <u>Fund Balance</u>			
Non-Spendable	90,531	-	90,531
Restricted	245,025	151,754	396,779
Unassigned	2,392,371	-	2,392,371
	<u>2,727,927</u>	<u>151,754</u>	<u>2,879,681</u>
 Total Fund Balance	 2,727,927	 151,754	 2,879,681
 Total Liabilities & Fund Balance	 \$ 4,697,241	 \$ 151,754	 \$ 4,848,995

See accompanying notes to basic financial statements

DISCOVERY CREATIVE PATHWAYS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2026

Total Governmental Fund Balances		\$ 2,879,681
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	\$ 7,595,879	
Accumulated Depreciation and Amortization	<u>(3,133,209)</u>	4,462,670
Long-Term Liabilities, including installment loans and leases payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year end consist of:		
Financing Leases Payable	(4,590,669)	<u>(4,590,669)</u>
Total Net Position - Governmental Activities		\$ <u>2,751,682</u>

See accompanying notes to basic financial statements

DISCOVERY CREATIVE PATHWAYS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2026

	General Fund	Non-Major Food Service Fund	Total Governmental Funds
Revenues			
Local Sources	\$ 1,357,815	\$ -	\$ 1,357,815
State Sources	9,943,515	2,504	9,946,019
Federal Sources	909,737	711,183	1,620,920
	<u>12,211,067</u>	<u>713,687</u>	<u>12,924,754</u>
Total Revenues	12,211,067	713,687	12,924,754
Expenditures			
Instruction			
Basic Programs	4,370,019	-	4,370,019
Added Needs	1,269,941	-	1,269,941
Total Instruction	<u>5,639,960</u>	<u>-</u>	<u>5,639,960</u>
Support Services			
Pupil Support	706,121	177,315	883,436
Instructional Staff	297,678	-	297,678
General Administration	329,881	-	329,881
School Administration	914,237	-	914,237
Business Support Services	1,589,598	-	1,589,598
Operation and Maintenance	1,220,859	-	1,220,859
Transportation	633,914	-	633,914
Food Services	-	596,211	596,211
Central Support Services	245,878	-	245,878
Athletics	37,704	-	37,704
Community Services	20,709	-	20,709
Principal Payments on Debt	358,965	-	358,965
Interest on Long-Term Debt	164,530	-	164,530
Total Support Services	<u>6,520,074</u>	<u>596,211</u>	<u>7,116,285</u>
Capital Outlay	213,663	70,404	284,067
Total Expenditures	<u>12,373,697</u>	<u>666,615</u>	<u>13,040,312</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	(162,630)	47,072	(115,558)
Fund Balance - July 1	<u>2,890,557</u>	<u>104,682</u>	<u>2,995,239</u>
Fund Balance - June 30	<u>\$ 2,727,927</u>	<u>\$ 151,754</u>	<u>\$ 2,879,681</u>

See accompanying notes to basic financial statements

DISCOVERY CREATIVE PATHWAYS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

Total Net Change in Fund Balances - Governmental Funds	\$	(115,558)
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Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded amortization and depreciation expense in the current period.

Capitalized Assets	\$	284,067	
Depreciation and Amortization Expense		<u>(784,750)</u>	(500,683)

Repayment of lease obligations payable are expenditures in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. This is the amount of repayments reported as expenditures in the Governmental Funds.

358,965

Change in Net Position of Governmental Activities	\$	<u><u>(257,276)</u></u>
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See accompanying notes to basic financial statements

NOTES TO FINANCIAL STATEMENTS

DISCOVERY CREATIVE PATHWAYS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Discovery Creative Pathways (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, as amended, and began operation in December 2016.

The mission of the Academy is to empower each child to grow into an enthusiastic, critical thinking scholar who is prepared for the future.

In December 2016, the Academy entered into a contract with Central Michigan University 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. The University is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The agreement with Central Michigan University is effective through June 30, 2027. The Academy pays Central Michigan University three percent of state aid on an annual basis as administrative fees. Total administrative fees paid for the year ended June 30, 2026, were approximately \$233,021.

The Academy has two campuses: Harper Woods and Redford. The Academy's mission is to serve children and families in urban communities by providing a high-quality learning environment that accelerates achievement, performance and college preparedness through careful analysis of student needs and effective use of data to personalize and monitor student learning. The Academy primarily receives its revenue from grants and contracts with the State of Michigan and funds passed through from the federal government.

The Academy is governed by a five-member Board of Education. The Academy has delegated its duty to manage and operate the school to a management company under an agreement which expires June 30, 2027.

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

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 oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The Academy receives funding from local, state, and federal government sources and must comply with the accompanying requirements of these funding source entities. However, the Academy is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to determine its budget, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

DISCOVERY CREATIVE PATHWAYS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026

Note 1 - Summary of Significant Accounting Policies (continued)

Basic Financial Statements – Government-wide Statements

The Academy's basic financial statements include both government-wide (reporting the Academy as a whole) and fund financial statements (reporting the Academy's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All the Academy's activities are classified as governmental activities.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net position is reported in three parts: invested in capital assets net of related debt, restricted, and unrestricted net position. The Academy first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Academy's functions. General government revenues (certain intergovernmental revenues, and charges, etc.) also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (state and federal sources, interest income, etc.).

The Academy does not allocate indirect costs.

Basic Financial Statements - Fund Financial Statements

The accounts of the Academy are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon 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 two generic fund types in one broad fund category as follows:

Governmental Funds

Governmental funds are those funds 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 governmental funds. The Academy has one major governmental fund (the General Fund) and one non-major 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.

Food Service Special Revenue Fund

The fund is used to account for state and federal revenues restricted for the school lunch program. Any operating deficit generated by the food service activities is the responsibility of the General Fund.

Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

DISCOVERY CREATIVE PATHWAYS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026

Note 1 - Summary of Significant Accounting Policies (continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Academy considered revenues to be available if they are generally collected within sixty days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits, sweep accounts, and certificate of deposits with original maturities of three months or less. The Academy reports its investments in accordance with Governmental Accounting Standards Board (GASB) *Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and *No. 40, Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at 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. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), or National Credit Union Administration (NCUA), respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by no 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, mutual funds composed of investments outlined above, and investment pools, as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by an academy.

Capital Assets

Capital assets which include leasehold improvements, right to use assets, construction in progress, furniture, and equipment are reported in the government-wide financial statements. The Academy's policy is to capitalize assets with a cost that equals or exceeds \$2,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Construction in progress, if any, is not depreciated. Depreciation on all owned assets is computed on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements and right to use assets are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. Estimated lives are as follows:

Leasehold Improvements (Building)	24 – 29 years
Computers and Equipment	3 years
Furniture	5 – 7 years
Right to use - Leased Transportation Equipment	4 years
Right to use – Leased Buildings	Term of lease

DISCOVERY CREATIVE PATHWAYS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026

Note 1 - Summary of Significant Accounting Policies (continued)

Leases as Lessee

The Academy is a lessee for noncancelable leases of equipment and buildings. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The Academy recognizes lease liabilities with an initial, individual value of \$2,000 or more.

At the commencement of a lease, the Academy initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Academy determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

The Academy monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy had no deferred outflows of resources at June 30, 2026.

Deferred Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy had no deferred inflows of resources at June 30, 2026.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

For the year ended June 30, 2026, the Academy implemented the following GASB Statements:

GASB issued Statement No. 103, Financial Reporting Model Improvements. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

1. Management's discussion and analysis (MD&A);
2. Unusual or infrequent items;

DISCOVERY CREATIVE PATHWAYS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026

Note 1 - Summary of Significant Accounting Policies (continued)

Change in Accounting Principle (continued)

3. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
4. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI;

GASB Statement No. 104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. This Statement also requires additional disclosures for capital assets held for sale.

Upcoming Accounting Pronouncements

In December 2025, the GASB issued Statement No. 105, Subsequent Events. This Statement clarifies the subsequent events that constitute recognized and non-recognized events and establishes specific note disclosure requirements for non-recognized and recognized events. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026-2027 fiscal year.

Note 2 – Cash, Cash Equivalents, and Investments

The Academy holds various deposits with federally insured financial institutions at June 30, 2026.

The Academy also holds an investment in the Michigan Liquid Asset Fund Plus of \$114,784 at June 30, 2026. The Michigan Liquid Asset Fund Plus invests its assets in instruments authorized by the School Code of the state of Michigan and Michigan Public Act 20, which governs the investment of public funds. These instruments include but are not limited to U.S. treasury securities, U.S. government agency securities, money-market mutual funds registered under the Investment Company Act of 1940, repurchase agreements, and short-term obligations of corporations organized in the U.S., such as commercial paper and bank debt obligations.

The deposits and investment held at year-end are subject to the following risks:

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Academy's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and are invested primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools. The weighted average of the investments in the Michigan Liquid Asset Fund Plus is managed at 60 days or less with a current investment yield of 4.29%.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer. Cumulatively, portfolios of the Academy may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total Academy portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the Academy's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs). The Michigan Liquid Asset Fund Plus/MILAF+ Portfolio is rated 'AAAm' by S&P Global Ratings. The rating is

DISCOVERY CREATIVE PATHWAYS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026

Note 2 – Cash, Cash Equivalents, and Investments (continued)

based on S&P Global Ratings' analysis of the portfolio's credit quality, investment policies, market price exposure, and management.

Custodial Credit Risk for Deposits

This is the risk that in the event of a bank failure, the Academy's deposits may not be returned or the Academy will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2026, the Academy had \$2,219,912 of deposit and other cash equivalent balances that were not insured or collateralized.

Custodial Credit Risk for Investments

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. This risk is minimized by the Academy through limiting investments to those of a prime or better rating and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors.

Foreign Currency Risk

This is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Academy is not authorized to invest in investments that would be subject to this type of risk.

Note 3 – Restricted Cash

The lease agreement for the Harper Woods building requires that the Academy fund and maintain a \$225,000 cash reserve for capital improvements. The cash reserve is to be held by the landlord and can be used only for capital improvements when certain criteria are met. During the year ended June 30, 2026, the Academy deposited \$6,250. into the reserve in accordance with the terms of the lease. Amounts disbursed from the cash reserve for property improvements during the year ended June 30, 2026 were \$17,179.

Note 4 - Interfund Transactions

The General fund owed the Food Services Fund \$151,754 at June 30, 2026. Interfund receivables and payables occur during the normal course of business and are routinely settled at the end of the year or during the next fiscal year.

Note 5 - Capital Assets

Changes in capital assets for the year ended June 30, 2026, were as follows:

	Balance July 1, 2025	Additions & Reclassification	Disposals	Balance June 30, 2026
Capital Assets:				
Land – not depreciated	\$ 20,000	\$ 20,000	\$ -	\$ 20,000
Furniture and Equipment	1,618,428	284,067	-	1,902,495
Lease Right to Use - Building	5,492,483	-	-	5,492,483
Leasehold improvements	180,901	-	-	180,981
Total Capital Assets	7,311,812	284,067	-	7,595,879
Less Accumulated Depreciation And Amortization:				
Furniture and Equipment	1,195,170	281,082	-	1,476,252
Lease Right to Use - Building	1,091,682	484,972	-	1,576,654
Leasehold Improvements	61,607	18,696	-	80,303
Total Accumulated Depreciation And Amortization	2,348,459	784,750	-	3,133,209
Net Capital Assets	\$ 4,963,953	\$ (500,683)	\$ -	\$ 4,462,670

DISCOVERY CREATIVE PATHWAYS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026

Note 5 - Capital Assets continued)

Depreciation and amortization expense on the statement of activities is not allocated among the functional categories.

Note 6 - Fund Balance

Non-spendable, Restricted, Committed, Assigned and Unassigned

The Board of Education adopts a budget each year that includes the appropriation of fund balance. Non-spendable fund balance represents assets that are not available in spendable form and are not expected to be converted to cash. The Academy had \$90,531 in non-spendable fund balance as of June 30, 2026.

Restricted fund balances are reported separately to show legal constraints from debt covenants, donor restrictions, and legislation that limits the Academy's ability to use that fund balance for day-to-day operations. The Academy had \$245,025 of fund balance at June 30, 2026 that was restricted for capital improvements (See Note 4). The Academy also has fund balance of \$151,754 that is restricted for food service activities.

Committed fund balance represents constrained amounts imposed by board resolution. The Academy had no amounts committed at June 30, 2026.

Assigned fund balance represents amounts intended to be used for specific purposes expressed by the Board of Trustees, Finance Committee, or the official authorized by the governing body. Residual amounts in governmental funds other than the General Fund are also assigned. The Academy had no amounts assigned at June 30, 2026.

Unassigned fund balance is reported only in the General Fund and represents the remaining fund balance after non-spendable, restrictions, and assignments have been made.

The Academy applies restricted resources first for applicable expenditures. Assigned fund equity is applied when expenditures are incurred for the assigned purpose, followed by unassigned fund equity for budgeted expenditures.

Note 7 – Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Note 8 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy purchases commercial insurance coverage to cover potential claims, and management believes this coverage is sufficient to protect the Academy from any significant adverse financial impact.

Note 9 – Long-Term Finance Lease Obligations

The Academy has entered into two finance lease obligations for the usage of real property and buildings. The details on the lease obligations are as follows:

The Academy entered into a commercial lease agreement for its Harper Wood location beginning August 1, 2020 and ending on June 30, 2040. The Academy has recognized a lease liability in accordance with GASB 87 using an estimated incremental borrowing rate of 3.3%. The remaining lease obligation at June 30, 2026 was \$3,897,891. The related right to use asset is amortized on a straight-line basis over the length of the lease. The right to use asset activity for the Academy for the year ended June 30, 2026 is included in the capital assets schedule in Note 5.

The Academy entered into a commercial lease agreement for its Redford location during the year ended June 30, 2026 with the lease ending on June 30, 2029. The Academy has recognized a lease liability in accordance with GASB 87 using an estimated incremental borrowing rate of 4.0%. The remaining lease obligation at June 30, 2026 was \$1,051,743. The related right to use asset is amortized on a straight-line basis over the length of the lease. The right to use asset activity for the Academy for the year ended June 30, 2026 is included in the capital assets schedule in Note 5.

DISCOVERY CREATIVE PATHWAYS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026

Note 9 – Long-Term Finance Lease Obligations (continued)

Additionally, the Academy entered into a lease for transportation buses, beginning July 1, 2022 and ending June 30, 2026. The right to use asset is amortized on the straight line basis over the term of the assets. The Academy had recognized a lease liability in accordance with GASB 87 using an estimated incremental borrowing rate of 3.3%. The lease obligation was fully paid at June 30, 2026. The related right to use asset was amortized on a straight-line basis over the length of the lease. The right to use asset activity for the Academy for the year ended June 30, 2026 is included in the capital assets schedule in Note 5.

The following is a summary of long-term obligation transactions for the year ended June 30, 2026:

	Building Lease #1	Building Lease #2	Total
Balance July 1, 2025	\$ 3,897,891	\$ 1,051,743	\$ 4,949,634
Less: Retirements & Payments	<u>(143,174)</u>	<u>(215,791)</u>	<u>(358,965)</u>
Balance June 30, 2026	3,754,717	835,952	4,590,669
Less: Current Portion	<u>(156,183)</u>	<u>(245,098)</u>	<u>(401,281)</u>
Total Due after One Year	<u>\$ 3,598,534</u>	<u>\$ 590,494</u>	<u>\$ 4,189,388</u>

Future principal and interest requirements for the finance lease obligations are as follows:

	Principal	Interest	Total
2027	\$ 401,281	\$ 151,070	\$ 552,351
2028	447,423	135,120	582,543
2029	497,587	117,336	614,923
2030	199,429	104,077	303,506
2031	215,355	97,257	312,612
2032-2036	1,345,310	364,180	1,709,490
2037-2041	<u>1,484,284</u>	<u>106,076</u>	<u>1,590,360</u>
	<u>\$ 4,590,669</u>	<u>\$ 1,075,116</u>	<u>\$ 5,665,785</u>

Note 10 – Due From Other Governmental Units

The total amounts due from other governmental units is \$2,119,096 and consists of \$1,858,023 due from the State of Michigan, \$246,094 due from the federal government, and \$14,979 due from local government.

Note 11 - Subsequent Events

Management has reviewed subsequent events through October 18, 2026, the date of the auditor's report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

DISCOVERY CREATIVE PATHWAYS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2026

	Budget		Variance Between Original Budget and Final		Variance with Final Budget Positive (Negative)
	Original	Final		Actual	
Revenues					
Local Sources	\$ 624,908	\$ 1,334,336	\$ (709,428)	\$ 1,357,815	\$ 23,479
State Sources	10,222,494	9,940,156	282,338	9,943,515	3,359
Federal Sources	659,931	918,555	(258,624)	909,737	(8,818)
Total Revenues	11,507,333	12,193,047	(685,714)	12,211,067	18,020
Expenditures					
Education					
Instruction					
Basic Programs	4,022,915	4,418,082	(395,167)	4,440,044	(21,962)
Added Needs	1,360,700	1,272,089	88,611	1,269,941	2,148
Supporting Services					
Pupil Support	649,872	675,838	(25,966)	706,121	(30,283)
Instructional Support	346,820	295,692	51,128	297,678	(1,986)
General Administration	382,812	336,338	46,474	329,881	6,457
School Administration	745,654	899,908	(154,254)	914,237	(14,329)
Business Services	1,422,447	1,568,797	(146,350)	1,589,598	(20,801)
Operation and Maintenance	1,661,427	1,845,480	(184,053)	1,887,993	(42,513)
Transportation	518,000	671,969	(153,969)	633,914	38,055
Central Support Services	332,447	339,414	(6,967)	283,582	55,832
Community Services	11,248	23,708	(12,460)	20,709	2,999
Total Expenditures	11,454,342	12,347,315	(892,973)	12,373,698	(26,383)
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	52,991	(154,268)	(207,259)	(162,631)	(8,363)
Fund Balance - July 1	2,890,557	2,890,557	-	2,890,557	-
Fund Balance - June 30	<u>\$ 2,943,548</u>	<u>\$ 2,736,289</u>	<u>\$ (207,259)</u>	<u>\$ 2,727,926</u>	<u>\$ (8,363)</u>

DISCOVERY CREATIVE PATHWAYS
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2026

Note 1 - Budgetary Basis of Accounting

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General, Special Revenue, and Debt Retirement Funds and an informational study of Capital Project Funds of academies prior to the expenditure of monies in a fiscal year.

The Act requires expenditures to be budgeted on a functional basis. An Academy is not considered to be in violation of the Act if reasonable procedures are in use by the Academy to detect violations. The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Management Company submits to the Board of Trustees a proposed budget by July 1 of each year. The budget includes proposed expenditures and the means of financing them for both the General Fund and the Food Services Special Revenue Fund.
2. Public hearings are conducted to obtain public comments.
3. Prior to July 1, the budget is legally adopted by Board of Trustees resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2).. The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or that expected expenditures will exceed original estimates. Expenditures shall not be made or incurred, in excess of the final expenditures amounts appropriated.
4. Budgets for the General Fund and the Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles
5. Budgeted amounts are presented as originally adopted and as finally amended by the Board of Education.
6. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Academy does not utilize encumbrance accounting. These appropriations are reestablished at the beginning of the following year.
7. The final budget was approved prior to June 30, 2026 year-end.

DISCOVERY CREATIVE PATHWAYS
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2026

Note 2 - Budgetary Comparisons

Significant variances between original and final budget:

<u>Revenues</u>	<u>Original</u>	<u>Final</u>	
Local Sources	\$ 624,908	\$ 1,334,336	The variance is due to the Ballmer Group Summer Discovery Grant. At the time of original budget development, this grant was not yet awarded or anticipated..
State Sources	\$ 10,222,494	\$ 9,940,156	The variance in State Aid is primarily driven by lower-than-budgeted student enrollment.
Federal Sources	\$ 659,931	\$ 918,555	The increase from the original budget is driven by mid-year grant awards and adjustments to existing allocations that were not initially
<u>Expenditures</u>			
Basic Programs	\$ 4,022,915	\$ 4,418,082	The variance in the Instruction budget line is primarily attributable to mid-year programmatic expansions fully funded by federal grants not originally anticipated.
Added Needs	\$ 1,360,700	\$ 1,272,089	The variance reflects the school's proactive adjustment of the staffing model in response to lower-than-anticipated enrollment at the start of the fiscal year. Management has reduced staffheadcount where appropriate to align staffing levels with actual student counts.
School Administration	\$ 745,654	\$ 899,908	The variance reflects an reclassification of a School Administrator position to the correct category related to School Operations. These costs were originally budgeted under the Operations and Maintenance line item.
Business Services	\$ 1,422,447	\$ 1,568,797	The variance reflects an adjustment to management company fees. Management fees are calculated as a percentage of total revenue. As the projected revenue was increased management fee was adjusted accordingly to align with the amended revenue budget.
Operation and Maintenance	\$ 1,661,427	\$ 1,845,480	The difference is largely due to increased facility operational costs (repairs and maintenance costs, heating costs and cooling costs) necessitated by the school's aging buildings and the fiscal year's severe weather extremes that were not fully anticipated in the original budget projections.
Transportation	\$ 518,000	\$ 671,969	The original budget included costs for daily routing only; however, the final budget has been adjusted to incorporate previously excluded auxiliary transportation requirements, such as field trips, school events, and extracurricular activities, to better align with total annual operational needs.

INDEPENDENT AUDITORS' 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*

Board of Education
Discover Creative Pathways

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 Discovery Creative Pathways, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Discovery Creative Pathways' basic financial statements, and have issued our report thereon dated October 18, 2026

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Discovery Creative Pathways' 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 Discovery Creative Pathways' internal control. Accordingly, we do not express an opinion on the effectiveness of the Discovery Creative Pathways' 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 Discovery Creative Pathways' 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*.

FLINT OFFICE

G-2302 STONEBRIDGE DR., BUILDING D
FLINT, MICHIGAN
OFFICE 810-230-8200 - FAX 810.230.8203

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.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

October 18, 2026

October 18, 2026

To the Board of Education of Discovery Creative Pathways

We have audited the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of Discovery Creative Pathways (the "Academy") for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter and the pre-audit communication 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 Discovery Creative Pathways are described in Note 1 to the financial statements.

We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The significant accounting estimates present in the financial statement include:

Management's determination of the estimated life span of the capital assets is a significant estimate. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the inherent interest rate embedded in financing lease payables is a significant estimate. We evaluated the key factors and assumptions used by management to develop the estimated interest rates in determining that it is reasonable in relation to the financial statements taken as a whole.

In some instances, financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

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 trivial, and communicate them to the appropriate level of management. The only adjustment identified and made during the audit was a reclassification of expenses for financial statement purposes.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 we had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Total actual expenditures for the General Fund exceeded total budgeted expenditures for the year ended June 30, 2026 by \$26,383. The overage is .2% of the total amended expenditures budget. This is a technical violation of State law as all expenditures must be budgeted. When amending the budget on an interim basis or at year end, you should ensure that the budgeted expenditures exceed actual amounts.

Other Information in Documents Containing Audited Financial Statements

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

Restriction on Use

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

Very truly yours,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants
Flint, MI