

UNIVERSAL ACADEMY

**Financial Report
with Supplemental Information
and Single Audit Report
June 30, 2021**

UNIVERSAL ACADEMY

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LARRY WILKERSON, C.P.A.
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Independent Auditor's Report

To the Board of Directors of
Universal Academy

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining information of Universal Academy, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors
Universal Academy
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 Universal Academy as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

Adoption of New Accounting Standard

As described in the notes to the financial statements, during the year ended June 30, 2021, the Academy adopted GASB Statement No. 84. *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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 Government Auditing 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Universal Academy's basic financial statements. The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances – special revenue funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances, statement of revenue and expenditures – budget and actual are the responsibility of management and were derived from and relate 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 nonmajor funds combining statement of revenues, expenditures, and changes in fund balances, statement of revenue and expenditures – budget and actual are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
Universal Academy

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2021, on our consideration of Universal Academy'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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Universal Academy's internal control over financial reporting and compliance.

Wilkinson & Associates PC

September 16, 2021
Dearborn, Michigan

Universal Academy

**4833 Ogden
Detroit, Michigan, 48210**

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2021

This section of Universal Academy's (the Academy) annual financial report presents discussion and analysis of the Universal Academy's financial performance during the year ended June 30, 2021. It should be read in conjunction with the Academy's financial statements, which immediately follow this section.

The Academy is required to implement the provisions of Governmental Accounting Standards Board Statement No. 34 (GASB No. 34) in its financial statement presentation. This accounting standard requires the reporting of two types of financial statements: - Government-Wide Financial Statements and Fund Financial Statements.

The financial report is only one measure of an Academy's viability. An Academy's goal is to provide educational services to the students, not to generate profits as commercial entities do. Consideration should also be given to other non-financial factors, such as the quality of the education provided and safety of the schools in the assessment of the overall health of a school's district.

Government-Wide Financial Statements

The Government-Wide Financial Statements provide information about the activities of the Academy as a whole, presenting both an aggregate view of the Academy's finances and a long-term view of those finances government-wide statements are presented on a full accrual basis, which is the primary accounting method, used in private industry. The Statement of Net Position reports all the Academy's assets regardless if they are available for current use or legally restricted, and all of its liabilities, both short-term and long-term. The Statement of Activities reports all of the Academy's revenues and expenses by type of activity.

Fund Financial Statements

The Academy segregates resources and activities in separate funds (or entities); each used for a specific purpose to facilitate accountability for those resources. The fund financial statements provide a detailed short-term view of the operations of a School District's various fiscal components, not a long-term view of the School District as a whole. It provides information as to the amount of financial resources that can be spent in the near future to finance programs. It also provides information about the School District's most

significant fund - the General Fund (the Academy's principal operating fund) and its non-major funds, which are grouped together and presented as Other Governmental Funds. The Academy's non-major fund is the Food Services fund. Fund financial statements are presented on a modified accrual basis. Only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they can be paid using current financial resources.

The School District as a Whole

As discussed above, the Statement of Net Position provides information of the Academy as a whole. Table 1 provides a summary of Universal Academy's net position as of June 30, 2021.

Table 1-Summary of Universal Academy's Net Position

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current and Other Assets	\$ 5,230,873	\$ 4,287,237
Capital Assets - Net of Accumulated Depreciation	<u>8,611,339</u>	<u>8,438,681</u>
Total Assets	\$ <u>13,842,212</u>	\$ <u>12,725,918</u>
<u>Liabilities</u>		
Current Liabilities	\$ 753,430	\$ 1,018,013
Long-Term Liabilities	<u>10,413,215</u>	<u>10,627,242</u>
Total Liabilities	<u>11,166,645</u>	<u>11,645,255</u>
<u>Net Position</u>		
Invested in Capital Assets	(3,608,362)	(3,388,443)
Restricted	2,372,345	1,844,233
Unrestricted	<u>3,911,584</u>	<u>2,624,873</u>
Total Net Position	\$ <u>2,675,567</u>	\$ <u>1,080,663</u>

Net position at year-end was \$2,675,567. The Academy's net investments in capital assets were (\$3,608,362). The \$3,911,584 in unrestricted net position represents the cumulative operating results for the year ended June 30, 2021 and all prior years.

The Academy's total net position increased by \$1,594,904 during the fiscal year ended June 30, 2021 (please refer to Table 2 below). The cost to operate the Academy's programs was \$7,967,999. Partially funding these programs were grant revenues totaling

\$2,969,834. The remaining cost of the Academy was funded by general revenues, primarily State Aid totaling \$6,485,581 and miscellaneous revenues \$107,488.

Table 2 – Summary of the Statement of Activities

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ -	\$ 9,656
Federal Grants	2,969,834	1,143,804
General Revenues		
State Aid- All Sources	6,485,581	6,332,820
Other Revenue	<u>107,488</u>	<u>47,127</u>
Total Revenues	\$ <u>9,562,903</u>	\$ <u>7,533,407</u>
<u>Function/Program Expenses</u>		
Instruction and Instructional Staff Services	\$ 3,343,306	\$ 3,240,534
Support Services	202,598	347,774
General, Executive and School Administration	1,401,270	1,171,418
Food Services	559,408	382,863
Business Support Services	34,746	32,311
Operations, Maintenance & Other	<u>2,426,671</u>	<u>2,339,885</u>
Total Expenses	<u>7,967,999</u>	<u>7,514,785</u>
Increase (Decrease) in Net Position	<u>\$ 1,594,904</u>	<u>\$ 18,622</u>

State of Michigan Aid, Unrestricted

The State of Michigan unrestricted aid, is determined by the following variables:

- Per student, foundation allowance: annually, the State of Michigan sets the per student foundation allowance. The Academy's foundation allowance was \$8,111 per student for the 2020 - 2021 school year.
- Student Enrollment: The Academy's student enrollment for the fall count of 2020-2021 was 677 students. To calculate total state aid to be provided by the foundation allowance, a super-blend count is based on a 75% weight on the previous FY 2019-20 blend (90% of the fall 2019 count plus 10% of the spring 2019 count) plus a 25% weight on what would have been a 'normal' 90/10 blend for FY 2020-21.

Capital Assets

At June 30, 2021 Universal Academy had an investment in capital assets, net of accumulated depreciation of \$6,804,853 (please refer to Table 3 below). This includes the building, building improvements, computer equipment, furniture and other equipment.

Capital assets purchased or acquired are capitalized at cost. The Academy's capitalization policy is individual amounts exceeding \$1,000.

The Academy added approximately \$195,957 of capital assets during the year. This consists primarily of computers and equipment. More detailed information of fixed assets is included in the footnotes.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Total depreciation expense for the year was \$629,903.

Table 3 – Capital Assets

<u>Description</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Building	\$ 9,880,722	\$ 9,880,722
Leasehold Improvement	31,561	31,561
Machinery and Equipment	1,923,002	1,727,045
Other Equipment	54,975	54,975
Vehicles	<u>20,050</u>	<u>20,050</u>
Total Capital Assets	\$ 11,910,310	\$ 11,714,353
Less Accumulated Depreciation	<u>(5,105,457)</u>	<u>(4,475,554)</u>
Net Capital Assets	<u>\$ 6,804,853</u>	<u>\$ 7,238,799</u>

The School District's Funds

As mentioned above, the Academy uses funds to segregate and account for resources and activities that are used for specific purposes. At June 30, 2020 the Academy's governmental funds had a combined balance of \$6,283,928 an increase of \$1,814,822 from June 30, 2021. The contributions of each individual fund are:

General Fund:

The ending balance of the General Fund, the principal operating fund of the Academy, increased by \$1,367,060 at June 30, 2021 to \$5,558,593 from \$4,191,533 at June 30,

2020. The increase is primarily attributable to a reduction in expenses for the year. The fund balance of the General Fund is available to fund costs related to school operations.

Other Governmental Funds:

The School District's non-major fund - Food Service Fund, is presented in this category. At June 30, 2021 the Food Service fund balance was \$725,335.

The School District's other non-major fund – Custodial Fund, is a fiduciary fund that is used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The School District maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and student activities. The fund balance in the Custodial Fund at June 30, 2021 was \$2,998.

Debt

On December 1, 2013 Universal Academy has issued following “PUBLIC SCHOOL ACADEMY REVENUE BONDS” to finance the acquisition and the construction of real estate property located in the City of Detroit:

<u>PUBLIC SCHOOL ACADEMY REVENUE BONDS:</u>	<u>ORIGINAL LOAN</u>
SERIES 2013 A	\$ 9,535,000
SERIES 2013 B	120,000
SERIES 2013 - WALTON FAMILY FOUNDATION CHARTER SCHOOL FINANCING PARTNERSHIP- CSFP/OPERATING RESERVE LOAN.	113,140
	<u>645,075</u>
TOTAL LOANS	<u>\$ 10,413,215</u>

At June 30, 2021 Universal Academy’s long term debt of \$10,413,215 was comprised of \$288,535 which is the current portion and \$10,124,680 which is the non-current portion, compared to \$10,627,242 at the same time last year (please refer to Table 4).

Table 4 – Outstanding Long-Term Liabilities

Bond Debt Service as of June 30, 2021

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Period</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
12/1/2021	288,535	2021 - 2022	714,359	1,002,894
12/1/2022	303,535	2022 - 2023	703,049	1,006,584
12/1/2023	314,508	2023 - 2024	688,974	1,003,482
12/1/2024	334,508	2024 - 2025	671,184	1,005,692
12/1/2025	354,508	2025 - 2026	651,179	1,005,687
2026 - 2029	1,325,492	2026 - 2029	2,373,585	3,699,077
2030 - 2034	2,410,000	2030 - 2034	2,300,354	4,710,354
2035 - 2040	5,082,128	2035 - 2040	910,714	5,992,842
TOTAL	\$ 10,413,215		\$ 9,013,398	\$ 19,426,612

General Fund Budgetary Highlights

State law requires that school districts periodically amend their budgets to ensure that expenditures do not exceed appropriations. During the year, the Academy revised its budget in response to and / or in anticipation of changing operating conditions. The Academy had two budget amendments during the year that were approved by the Board of Directors of Universal Academy. The final Budget was adopted in June 2021. (A schedule showing the Academy's Original Budget, Final Budget, and Actual Results for the General Fund is provided in the Required Supplemental Information section of these Financial Statements).

The majority of the School Districts revenue is based on student enrollment. For the fiscal year 2020-21, it received \$8,111 per pupil from the State of Michigan. The original budget, which was completed at the end of the prior fiscal year, reflected certain assumptions for enrollment, grant funding, staffing and other expenditures. The June 2021 amended (Final) budget reflected actual enrollment based on the October 2020 official pupil count and a revised estimate of federally approved grant funding. Operating expenditures based on the revised revenues estimate were updated accordingly. The actual ending fund balance met expectations.

Final Budget vs. Actual

<u>Revenues:</u>	<u>Final Budget</u>	<u>Actual</u>
2011 - 2012	5,606,117	5,027,815
2012 - 2013	5,571,000	4,824,444
2013 - 2014	5,626,981	5,572,029
2014 - 2015	6,303,363	6,216,428
2015 - 2016	6,500,321	6,337,858
2016 - 2017	6,594,733	6,557,897
2017 - 2018	6,857,961	6,630,036
2018 - 2019	7,641,522	7,303,423
2019 - 2020	7,178,015	7,002,776
2020 - 2021	8,801,043	8,523,866

<u>Expenditures:</u>		
2011 - 2012	5,324,289	4,956,210
2012 - 2013	6,509,513	5,964,025
2013 - 2014	14,483,540	10,670,128
2014 - 2015	10,933,391	10,413,266
2015 - 2016	6,362,808	5,897,917
2016 - 2017	6,725,590	6,458,441
2017 - 2018	6,930,233	6,397,485
2018 - 2019	7,539,561	6,949,247
2019 - 2020	7,127,030	6,730,905
2020 - 2021	8,226,883	7,156,806

Economic Factors Affecting Next Year's Budgets

Our elected officials and administration consider many factors when setting the Academy's 2022 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The membership blend for the 2020-2021 fiscal year is based on a 75% weight on the previous FY 2019-20 blend (90% of the fall 2019 count plus 10% of the spring 2019 count) plus a 25% weight on what would have been a 'normal' 90/10 blend for FY 2020-21. The 2022 budget was adopted in May 2021, based on an estimate of students that will be enrolled in September 2021. Approximately 86 percent of the total General Fund revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2021-2022 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2022 budget. Once the final student count and related per pupil funding is validated, State law requires the Academy to amend the budget if actual Academy's resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to local school districts. The State periodically holds a revenue-estimating conference to estimate revenues.

UNIVERSAL ACADEMY
STATEMENT OF NET POSITION
June 30, 2021

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 3,583,863
Cash and cash equivalents-restricted	1,647,010
Receivables	
State aid	1,181,706
Federal & state grants	188,137
Prepaid cost & other assets	436,643
Capital assets, net of accumulated depreciation	<u>6,804,853</u>
Total Assets	13,842,212
 Liabilities	
Accounts payable	199,158
Accrued expenditures	554,272
Long-term liabilities:	
Long-term liabilities, due within one year	288,535
Long-term liabilities, due after one year	<u>10,124,680</u>
Total Liabilities	11,166,645
 Net Position	
Net investment in capital assets	(3,608,362)
Restricted	2,372,345
Unrestricted	<u>3,911,584</u>
Total net position	<u><u>\$ 2,675,567</u></u>

**UNIVERSAL ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Assets</u>
Governmental Activities				
Instruction	\$ 2,566,042	\$ -	\$ 1,950,173	\$ (615,869)
Supporting Services				
Pupil support services	202,598	-	-	(202,598)
Instructional support services	777,264	-	-	(777,264)
General administration	1,255,405	-	-	(1,255,405)
School administration	145,865	-	-	(145,865)
Business services	34,746	-	-	(34,746)
Operations and maintenance	465,068	-	-	(465,068)
Transportation	10,314	-	-	(10,314)
Central support services	494,464	-	-	(494,464)
Other support services	3,057	-	-	(3,057)
Community activities	94,688	-	-	(94,688)
Food service	559,408	-	1,019,661	460,253
Depreciation	629,903	-	-	(629,903)
Interest and fees on long-term debt	729,177	-	-	(729,177)
Total Governmental Activities	<u>\$ 7,967,999</u>	<u>\$ -</u>	<u>\$ 2,969,834</u>	(4,998,165)
General Revenues				
State aid - all sources				6,485,581
Other sources				<u>107,488</u>
Total General Revenues				<u>6,593,069</u>
Change in Net Assets				1,594,904
Net Position - July 1, 2020				<u>1,080,663</u>
Net Position - June 30, 2021				<u>\$ 2,675,567</u>

**UNIVERSAL ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021**

	General Fund	Non-Major Funds	Total
Assets			
Cash and cash equivalents	\$ 3,583,863	\$ -	\$ 3,583,863
Cash and cash equivalents-restricted	1,647,010	-	1,647,010
Due from other governmental units	1,367,455	2,388	1,369,843
Due from other funds	-	734,817	734,817
Prepays and other current assets	436,643	-	436,643
Total Assets	\$ 7,034,971	\$ 737,205	\$ 7,772,176
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 199,158	\$ -	\$ 199,158
Due to other funds	737,814	-	737,814
Accrued expenses	539,406	11,870	551,276
Total Liabilities	1,476,378	11,870	1,488,248
 Fund Balances			
Non-Spendable Fund Balance:			
Prepaid cost	436,643	-	436,643
Restricted Fund Balance:			
Food service	-	725,335	725,335
Debt service	1,647,010	-	1,647,010
Assigned Fund Balance:			
Capital projects	1,000,000	-	1,000,000
Other purposes	2,998	-	2,998
Unrestricted Fund Balance:			
Unassigned fund balance	2,471,942	-	2,471,942
Total Fund Balance	5,558,593	725,335	6,283,928
Total Liabilities and Fund Balances	\$ 7,034,971	\$ 737,205	\$ 7,772,176

UNIVERSAL ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO THE STATEMENT OF NET POSITION
June 30, 2021

Total Fund Balances - Governmental Funds \$ 6,283,928

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported as assets in governmental funds

	\$ 11,910,310	
Cost of capital assets		
Accumulated depreciation	(5,105,457)	6,804,853

Bonds and loans payable and bond issue discounts are not due and payable in the current period and, therefore, are not reported in the funds. (10,413,215)

Total Net Position - Governmental Activities \$ 2,675,567

UNIVERSAL ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 107,488	\$ -	\$ 107,488
State sources	6,466,205	19,376	6,485,581
Federal sources	1,950,173	1,019,661	2,969,834
Total Governmental Fund Revenues	8,523,866	1,039,037	9,562,903
Expenditures			
Instruction	2,579,928	-	2,579,928
Support Services:			
Pupil support services	202,598	-	202,598
Instructional staff services	869,055	-	869,055
General administration	1,255,405	-	1,255,405
School administration	145,865	-	145,865
Business support services	34,746	-	34,746
Operations & maintenance	470,543	-	470,543
Transportation	10,314	-	10,314
Central support services	542,084	-	542,084
Other support services	3,057	-	3,057
Food services	-	591,275	591,275
Community activities	94,688	-	94,688
Facilities acquisition & construction	5,318	-	5,318
Debt service principal, interest and fees	943,205	-	943,205
Total Governmental Fund Expenditures	\$ 7,156,806	\$ 591,275	\$ 7,748,081
Excess of Revenue (Under) Over Expenditures	1,367,060	447,762	1,814,822
Fund Balance, July 1, 2020	4,191,533	277,573	4,469,106
Fund Balance, June 30, 2021	\$ 5,558,593	\$ 725,335	\$ 6,283,928

**UNIVERSAL ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES**

June 30, 2021

Total Net Change in Fund Balance - Governmental Funds	\$	1,814,822
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period:

Depreciation Expense	\$	(629,903)	
Capitalized capital outlay		<u>195,957</u>	(433,946)

Repayment of bond principal is an expense in governmental funds, but not in the statement of activities (where it reduces long-term debt)

214,028

Change in Net Assets of Governmental Activities	\$	<u><u>1,594,904</u></u>
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UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Universal Academy (the “Academy”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

A. Reporting Entity

Universal 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 contract with Oakland University expired on June 30, 2020, and the contract was renewed for 3 years ending June 30, 2023. 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 Oakland University Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays Oakland University Board of Trustees 3 percent of State Aid as administrative fees. The total administrative fee paid through Universal Academy to the Oakland University Board of Trustees was approximately \$191,088.

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 and financial relationships that determine which of the governmental organizations are a part of the Academy’s reporting entity, and which organizations are legally separate, component units of the Academy. Based on application of the criteria, the entity does not contain component units.

UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Substantially all interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's government-wide activities are considered governmental activities.

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

Separate financial statements are provided for governmental funds and fiduciary funds, although the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The effect of the interfund activity has been substantially eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

Fund-Based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation *(continued)*

Fund-Based Statements *(continued)*

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

The State of Michigan utilizes a foundation allowance approach, which provides for a 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. Revenues from state sources are 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.

The Academy also receives revenue from the State to administer certain categorical educational programs. State rules require that revenue earmarked for programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received which are not expected to be expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation *(continued)*

Fund-Based Statements *(continued)*

The Academy reports the following major governmental fund:

General Fund

The General Fund is used to record the general operation 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.

Additionally, the Academy reports the following non-major governmental Food Service and Fiduciary Funds:

Food Service Fund

This fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes in the Academy's food service program. Any deficit generated by this activity is the responsibility of the General Fund.

Custodial Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The Academy maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and student activities.

D. Assets, Liabilities and Net Position or Equity

Deposits, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired.

**UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

D. Assets, Liabilities and Net Position or Equity *(continued)*

Deposits, Cash Equivalents and Investments *(continued)*

The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk are used as depositories.

The Academy is authorized by Michigan Compiled Laws, Section 129.91 to invest surplus monies in federally insured United States banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is also authorized to invest in bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Pooled investment income from the General Fund and various Debt Service Funds are allocated to each fund based upon the balance of the principal invested.

Receivables

Receivables at June 30, 2021 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 2020 and are considered current for the purposes of these financial statements.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2021, 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 a expenditure is reported in the year in which the services are consumed.

**UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

D. Assets, Liabilities and Net Position or Equity *(continued)*

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have any infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 20 years

MPSERS Liability

The Academy contracted with Hamadeh Educational Services, Inc. to provide all staffing personnel during the year under audit. Consequently, all staffing cost is treated as purchased services in these financial statements.

The Academy has no obligation to fund the Michigan Public School Employees Retirement System for the year ended June 30, 2021.

**UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

D. Assets, Liabilities and Net Position or Equity *(continued)*

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types recognize bond proceeds, premiums and discounts, as well as issuance costs, during the current period.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the fund financial statements, governmental funds report the following components of the fund balance:

- **Non-spendable-** Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted-** Amounts that are legally restricted by outside parties, constitutional provision, or by enabling legislation for use of a specific purpose.
- **Committed-** Amounts that have been formally set aside by the Board of Directors for use and specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Directors.
- **Assigned-** Intent to spend the resources on a specific purpose expressed by the Board of Directors.

**UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

D. Assets, Liabilities and Net Position or Equity *(continued)*

Fund Equity *(continued)*

- **Unassigned-** Amounts that do not fall into any of the above categories. This is the residual classification for amounts in the General Fund and represents the fund balance that has not been assigned to other funds or has not been restricted, committed or assigned for specific purposes in the General Fund.

The Academy uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a debt covenants or grant agreements requiring dollar for dollar spending. Additionally, when necessary, the Academy would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Academy does not have a formal minimum fund balance policy. The Board of Directors shall ensure that adequate funds are reserved for the General Fund to maintain a secure financial position.

Comparative Data

Comparative data is not included in the Academy's financial statements.

Government-wide financial statements (statement of net position and statement of activities) prepared using full accrual accounting for all of the Academy's activities have been provided.

Estimates

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

**UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

E. Implementation of New Accounting Standard

In 2020, the Academy implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the Academy present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2020. The implementation of this standard required the Academy to reclassify previously reported agency funds as custodial funds.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

The Academy is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgetary Act). The following is a summary of the requirements of the Act:

1. Budgets must be adopted for the General Fund, Special Revenue Funds, and Debt Service Funds by July 1.
2. The budgets must be balanced.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

The Academy formally adopted General Fund, and Special Revenue Funds (Food Services) budgets by function for the fiscal year ended June 30, 2021. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Unexpended appropriations

UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(continued)

Budgetary Data

(continued)

lapse at year end; encumbrances are not included as expenditures. No encumbrances were outstanding in the General Fund and Special Revenue Funds at June 30, 2021. During the current year, the budget was amended in a legally permissible manner.

The combined statement of revenues, expenditures and changes in fund balances – all governmental fund types is presented in conformity with generally accepted accounting principles. The combined statement of revenues, expenditures and changes in fund balances – budget and actual is presented on the same basis of accounting used in preparing the adopted budget.

Excess of Expenditures Over Appropriations of Budgetary Funds

The Academy did not have any expenditures in functional areas that were in excess of amounts appropriated, as described on page 31 of these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority. The Academy has designated one bank for the deposit of its funds, and has not adopted any other formal investment policy.

The Academy's cash and investments are subject to custodial credit risk, which is examined in more detail.

UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS

(continued)

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Academy’s deposits may not be returned to it. The Academy evaluates its depositories and only those with an acceptable risk level are used for the Academy’s deposits. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

At year end, the Academy’s deposits and investments were reported in the basic financial statements as cash and cash equivalents of \$5,230,873. The deposits of the Academy were reflected in the accounts of the financial institution at \$5,285,494 of which \$320,455 is covered by federal depository insurance.

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2021</u>
Assets being depreciated:			
Building	\$ 9,880,722	\$ -	\$ 9,880,722
Leasehold improvements	31,561	-	31,561
Furniture, fixtures & computer equipment	1,727,045	195,957	1,923,002
Playground equipment	23,085	-	23,085
Other equipment	31,890	-	31,890
Vehicles	20,050	-	20,050
Subtotal	<u>\$ 11,714,353</u>	<u>\$ 195,957</u>	<u>\$ 11,910,310</u>
Accumulated depreciation:			
Building	\$ 2,634,859	\$ 494,036	\$ 3,128,895
Leasehold improvements	28,445	1,578	30,023
Furniture, fixtures & computer equipment	1,740,953	131,100	1,872,053
Playground equipment	23,085	-	23,085
Other equipment	28,162	3,189	31,351
Vehicles	20,050	-	20,050
Subtotal	<u>4,475,554</u>	<u>629,903</u>	<u>5,105,457</u>
Net Capital Assets	<u>\$ 7,238,799</u>	<u>\$ (433,946)</u>	<u>\$ 6,804,853</u>

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

**UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employees injuries (workers 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 since inceptions.

NOTE 6 - ADMINISTRATIVE SERVICES

The Academy has entered into a management agreement with Hamadeh Educational Services, Inc. (H.E.S.). Under the terms of the management agreement, H.E.S. provides all the required labor, materials, and supervision necessary for the provision of educational services to the students, as well as the management, operation, and maintenance of the Academy. All costs incurred in providing this educational program at the Academy are reimbursed by the Academy to H.E.S. In addition, the Academy pays a 10 percent management fee computed on all state and federal revenue sources.

Management fees for the year ended June 30, 2021 were approximately \$924,356.

NOTE 7 - BONDS PAYABLE

On December 1, 2013, University Academy issued the following “Public School Academy Revenue Bonds” to finance the acquisition and the construction of real estate property located in the City of Detroit.

Bonds payable can be summarized as follows:

<u>July 1, 2020</u>	<u>Payments</u>	<u>June 30, 2021</u>	<u>Within a Year</u>
\$ 10,627,242	\$ 214,027	\$ 10,413,215	\$ 288,535

**UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 - BONDS PAYABLE (continued)

Future Bond Debt Service is as follows:

Maturity Date	Principal Amount	Period	Interest Amount	Total Debt Service
12/1/2021	288,535	2021 - 2022	714,359	1,002,894
12/1/2022	303,535	2022 - 2023	703,049	1,006,584
12/1/2023	314,508	2023 - 2024	688,974	1,003,482
12/1/2024	334,508	2024 - 2025	671,184	1,005,692
12/1/2025	354,508	2025 - 2026	651,179	1,005,687
2026 - 2029	1,325,492	2026 - 2029	2,373,585	3,699,077
2030 - 2034	2,410,000	2030 - 2034	2,300,354	4,710,354
2035 - 2040	5,082,128	2035 - 2040	910,714	5,992,842
TOTAL	\$ 10,413,215		\$ 9,013,398	\$ 19,426,612

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 16, 2021, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTAL INFORMATION

**UNIVERSAL ACADEMY
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Revenues				
Local sources	\$ 39,850	\$ 104,083	\$ 107,488	\$ 3,405
State sources	6,150,136	6,471,255	6,466,205	(5,050)
Federal sources	937,083	2,225,705	1,950,173	(275,532)
Total Governmental Fund Revenues	7,127,069	8,801,043	8,523,866	(277,177)
Expenditures				
Instructional Services	2,720,851	3,227,280	2,579,928	(647,352)
Supporting Services:				
Pupil support services	306,328	251,870	202,598	(49,272)
Instructional staff services	847,595	884,466	869,055	(15,411)
General administration	1,065,442	1,322,418	1,255,405	(67,013)
School administration	133,647	182,440	145,865	(36,575)
Business support services	37,497	39,981	34,746	(5,235)
Operations and maintenance	507,567	528,755	470,543	(58,212)
Transportation	36,378	34,666	10,314	(24,352)
Central support services	314,539	598,454	542,084	(56,370)
Other support services	63,409	4,874	3,057	(1,817)
Community activities	108,219	106,290	94,688	(11,602)
Facilities acquisition and construction	-	6,000	5,318	(682)
Debt service interest & fees	961,094	1,039,389	943,205	(96,184)
Total Governmental Fund Expenditures	7,102,566	8,226,883	7,156,806	(1,070,077)
Excess of Revenues over Expenditures	24,503	574,160	1,367,060	792,900
Fund Balance, July 1, 2020	3,993,519	4,191,533	4,191,533	-
Fund Balance, June 30, 2021	\$ 4,018,022	\$ 4,765,693	\$ 5,558,593	\$ 792,900

OTHER SUPPLEMENTAL INFORMATION

**UNIVERSAL ACADEMY
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021**

	Food Services
Revenues	
State sources	\$ 19,376
Federal sources	1,019,661
Total Revenues	1,039,037
 Expenditures	
Food services	591,275
Total Expenditures	591,275
Excess of Revenues Over Expenditures and Other Financing Sources	447,762
Fund Balance - July 1, 2020	277,573
Fund Balance - June 30, 2021	\$ 725,335

**UNIVERSAL ACADEMY
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2021**

	Custodial Funds
ASSETS	
Due from General Fund	\$ 2,998
TOTAL ASSETS	\$ 2,998
NET POSITION	
Restricted for:	
Individuals, organizations and other custodial activities	\$ 2,998
TOTAL NET POSITION	\$ 2,998

See accompanying notes to the financial statements

UNIVERSAL ACADEMY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Custodial Funds
Additions	
Fundraisers	\$ 3,335
Total additions	3,335
Deductions	
Supplies and materials	3,230
Total deductions	3,230
Net increase (decrease) in fiduciary net position	105
Net Position, July 1, 2020	2,893
Net Position, June 30, 2021	\$ 2,998

See accompanying notes to the financial statements

**UNIVERSAL ACADEMY
SUPPLEMENTAL INFORMATION
SINGLE AUDIT REPORT
JUNE 30, 2021**

SECTION A

**UNIVERSAL ACADEMY
SUPPLEMENTAL INFORMATION**

SINGLE AUDIT REPORT
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Wilkerson & Associate P.C.

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313-982-4340 FAX 313-982-4342

LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

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
Universal Academy

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, the major fund, and the aggregate remaining fund information of Universal Academy (a non-profit organization), as of and for the year ended June 16, 2021, and the related notes to the financial statements, which collectively comprise Universal Academy's basic financial statements, and have issued our report thereon dated September 16, 2021.

Internal Control Over Financial Reporting

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

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

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors
Universal Academy

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 Universal Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instance 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.

Wilkinson & Associate PC

Dearborn, Michigan
September 16, 2021

Wilkerson & Associate P.C.

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LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors of
Universal Academy

Report on Compliance for each Major Federal program

We have audited Universal Academy'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 Universal Academy's major federal programs for the year ended June 30, 2021. Universal Academy'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 Universal Academy'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

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors
Universal Academy
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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 Universal Academy's compliance with those requirements and performing such other procedures as we consider 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 Universal Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Universal Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Universal Academy 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 Universal Academy'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 Universal Academy'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.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Universal Academy (the “Academy”) as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements, and have issued our report thereon dated September 16, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management as was derived from and relates directly to underlying

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To the Board of Directors
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accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Wilkinson & Associate PC

Dearborn, Michigan
September 16, 2021

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME	CFDA NUMBER	APPROVED AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2020	FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2021
Cluster:							
Child Nutrition Cluster:							
U.S. Department of Agriculture - Passed through the Michigan Department of Education:							
Non-Cash Assistance (Commodities) 2020-2021							
National School Lunch Program - Regular	10.555	\$ 32,551	\$ -	\$ -	\$ 42,356	\$ 42,356	\$ -
Cash Assistance							
Unanticipated School Closure - 2019-2020 (Grants No. 200902)	10.555	228,554	228,554	103,585	103,585	-	-
Summer Food Service Program - 2019-2020 (Grant No. 200900)	10.559	51,506	-	-	51,506	51,506	-
Summer Food Service Program - 2020-2021 (Grant No. 210904)	10.559	925,800	-	-	925,800	925,800	-
Total Cash Assistance		1,205,860	228,554	103,585	1,080,891	977,306	-
Total Child Nutrition Cluster		1,238,411	228,554	103,585	1,123,247	1,019,662	-
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County RESA - IDEA							
IDEA - Regular Flow through 2019-2020 (Grant No. 200450)	84.027	78,000	78,000	8,769	8,769	-	-
IDEA - Regular Flow through 2020-2021 (Grant No. 210450)	84.027	87,244	-	-	73,666	87,244	13,578
Total Special Education Cluster		165,244	78,000	8,769	82,435	87,244	13,578
Other Federal Awards:							
U.S. Department of Education - Passed through the Michigan Department of Education - Title I, Part A:							
Improving Basic Program - 2019-2020 Regular (Grant No. 201530)	84.010	539,245	430,422	31,392	36,124	4,732	-
Improving Basic Program - 2020-2021 Regular (Grant No. 211530)	84.010	556,111	-	-	332,223	399,557	67,334
Total Title I		1,095,356	430,422	31,392	368,347	404,289	67,334

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME	CFDA NUMBER	APPROVED AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2020	FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2021
Other Federal Awards (con't):							
U.S. Department of Education:							
Passed through the Michigan Department of Education:							
Title II, Part A:							
Teacher/Principal Training - 2019-2020 (Grant No. 200520)	84.367	129,729	48,940	5,200	36,071	30,871	-
Teacher/Principal Training - 2020-2021 (Grant No. 210520)	84.367	102,752	-	-	71,556	84,884	13,328
Total Title II		<u>232,481</u>	<u>48,940</u>	<u>5,200</u>	<u>107,627</u>	<u>115,755</u>	<u>13,328</u>
U.S. Department of Education:							
Passed through the Michigan Department of Education:							
Title IV, Part A:							
Teacher/Principal Training - 2019-2020 (Grant No. 200750)	84.424	57,461	9,548	1,671	2,512	841	-
Teacher/Principal Training - 2020-2021 (Grant No. 210750)	84.424	68,543	-	-	12,982	35,333	22,351
Total Title IV		<u>126,004</u>	<u>9,548</u>	<u>1,671</u>	<u>15,494</u>	<u>36,174</u>	<u>22,351</u>
U.S. Department of Education:							
Passed through the Michigan Department of Education:							
Education Stabilization Program:							
ESSER Formula Funds - 2019-2020 (Grant No. 203710)	84.425C	381,140	-	-	381,140	381,140	-
ESSER Education Equity Funds, - 2019-2020 (Grant No. 203720)	84.425C	57,171	-	-	39,521	42,101	2,580
Governor's Emergency Education Relief (GEER) Funds - 2020-2021 (Grant No. 201200)	84.425C	101,602	-	-	25,205	94,170	68,965
ESSER Formula Funds II - 2020-2021 (Grant No. 213712)	84.425C	588,973	-	-	543,575	543,575	-
Total Education Stabilization Program		<u>1,128,886</u>	<u>-</u>	<u>-</u>	<u>989,441</u>	<u>1,060,986</u>	<u>71,545</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME	CFDA NUMBER	APPROVED AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2020	FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2021
U.S. Department of Treasury: Passed through the Michigan Department of Education: Coronavirus Relief Fund:							
Coronavirus Relief Funds - 2020-2021	21.019	237,370	-	-	237,370	237,370	-
District COVID Costs Funds - 2020-2021	21.019	8,355	-	-	8,355	8,355	-
Total Coronavirus Relief Funds		245,725	-	-	245,725	245,725	-
Total noncluster programs passed through the Michigan Department of Education		2,828,452	488,910	38,263	1,726,634	1,862,929	174,558
TOTAL FEDERAL AWARDS		\$ 4,232,107	\$ 795,464	\$ 150,617	\$ 2,932,316	\$ 2,969,835	\$ 188,136

UNIVERSAL ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Universal Academy under programs of the federal government for the year ended June 30, 2021. 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 Universal Academy, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of Universal Academy. Pass-through entity identify numbers are presented where available.

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

Universal Academy has elected to use the 10 percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – RECONCILIATION FUNDS STATEMENT – FEDERAL SOURCES

General Fund	\$ 1,950,173
Food Service Fund	<u>1,019,662</u>
Total Revenue per Schedule of Expenditures of Federal Awards	<u>\$ 2,969,835</u>

NOTE 5 - GRANT SECTION AUDITOR REPORT

Management has utilized the Cash Management System (CMS) Grant Auditor Report and the related Disbursement and Payment Ledger reports, in preparing the schedule of expenditures of federal awards. The amounts reported on the CMS Grant Auditor Report agree with the schedule of expenditures of federal awards except for the following timing differences which are included in the Due From Other Governmental Units. Unreconciled differences, if any, have been disclosed to the auditor.

<u>Program Title</u>	<u>CDDA</u> <u>Number</u>	<u>Grant</u> <u>Number</u>	<u>As Reported</u> <u>on 2020-21</u> <u>Grant Auditor</u> <u>Report</u>	<u>As Reported</u> <u>on 2020-21</u> <u>SEFA</u>	<u>Variance</u>
SFSP COVID19 Unanticipated School Closure	10.555	200902	\$ 103,585	\$ 103,585	-
SFSP Operating	10.559	200900	51,506	51,506	-
SFSP Operating	10.559	210904	925,800	925,800	-
Title I Part A	84.010	201530	36,124	36,124	-
Title I Part A	84.010	211530	381,896	332,223	49,673
Title II Part A	84.367	200520	36,071	36,071	-
Title II Part A	84.367	210520	84,884	71,556	13,328
Title IV Part A	84.424	200750	2,512	2,512	-
Title IV Part A	84.424	210750	35,183	12,982	22,201
Governor's Emergency Education Relief	84.425C	201200	25,205	25,205	-
ESSER Formula Funds	84.425C	203710	381,140	381,140	-
ESSER Education Equity Funds	84.425C	203720	39,521	39,521	-
ESSER Formula Funds II	84.425C	213712	543,575	543,575	-
		TOTAL	\$ 2,647,001	\$ 2,561,800	

NOTE 6- No amounts were paid to subrecipients.

NOTE 5 - GRANT SECTION AUDITOR REPORT

Management has utilized the Cash Management System (CMS) Grant Auditor Report and the related Disbursement and Payment Ledger reports, in preparing the schedule of expenditures of federal awards. The amounts reported on the CMS Grant Auditor Report agree with the schedule of expenditures of federal awards except for the following timing differences which are included in the Due From Other Governmental Units. Unreconciled differences, if any, have been disclosed to the auditor.

<u>Program Title</u>	<u>CDDA</u> <u>Number</u>	<u>Grant</u> <u>Number</u>	<u>As Reported</u> <u>on 2020-21</u> <u>Grant Auditor</u> <u>Report</u>	<u>As Reported</u> <u>on 2020-21</u> <u>SEFA</u>	<u>Variance</u>
SFSP COVID19 Unanticipated School Closure	10.555	200902	\$ 103,585	\$ 103,585	-
SFSP Operating	10.559	200900	51,506	51,506	-
SFSP Operating	10.559	210904	925,800	925,800	-
Title I Part A	84.010	201530	36,124	36,124	-
Title I Part A	84.010	211530	381,896	332,223	49,673
Title II Part A	84.367	200520	36,071	36,071	-
Title II Part A	84.367	210520	84,884	71,556	13,328
Title IV Part A	84.424	200750	2,512	2,512	-
Title IV Part A	84.424	210750	35,183	12,982	22,201
Governor's Emergency Education Relief	84.425C	201200	25,205	25,205	-
ESSER Formula Funds	84.425C	203710	381,140	381,140	-
ESSER Education Equity Funds	84.425C	203720	39,521	39,521	-
ESSER Formula Funds II	84.425C	213712	543,575	543,575	-
	TOTAL		\$ 2,647,001	\$ 2,561,800	

NOTE 6- No amounts were paid to subrecipients.

**UNIVERSAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

* Material weakness(es) identified? Yes No

* Reportable condition(s) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? Yes No

* Reportable condition(s) identified that are not considered to be material weaknesses? 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 the Audit Requirements of the Uniform Guidance? Yes No

Identification of major program:

CFDA Number	Federal Program
84.425C	ESSER I, II , EQUITY FUNDS & GEER

