

UNIVERSAL ACADEMY

**Financial Report
with Supplemental Information
and Single Audit Report
June 30, 2023**

UNIVERSAL ACADEMY

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

Independent Auditor's Report

To Management
and the Board of Directors of
Universal Academy

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining information of Universal Academy (the 'Academy'), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements 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, each major fund and the aggregate remaining fund information of Universal Academy as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Academy, and 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.

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.

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 Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgement 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 controls 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 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information as identified in the table of contents, is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2023, 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 & Associate PC

Dearborn, Michigan
October 6, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Universal Academy

**4833 Ogden
Detroit, Michigan, 48210**

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

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, 2023. 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 of their availability 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 about the Academy as a whole. Table 1 provides a summary of Universal Academy's net position as of June 30, 2023.

Table 1-Summary of Universal Academy's Net Position

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current and Other Assets	\$ 8,302,709	\$ 8,731,700
Capital Assets - Net of Accumulated Depreciation	<u>8,666,216</u>	<u>6,288,117</u>
Total Assets	\$ <u>16,968,925</u>	\$ <u>15,019,817</u>
<u>Liabilities</u>		
Current Liabilities	\$ 797,776	\$ 928,727
Long-Term Liabilities	<u>9,836,852</u>	<u>10,225,529</u>
Total Liabilities	<u>10,996,335</u>	<u>11,154,256</u>
Deferred inflow of resources	\$ 361,707	\$ 377,877
Total Liabilities & Deferred Inflow of resources	\$ 10,996,335	\$ 11,532,133
<u>Net Position</u>		
Invested in Capital Assets	(3,483,384)	(3,937,412)
Restricted	1,341,693	1,476,676
Unrestricted	<u>8,114,281</u>	<u>5,948,420</u>
Total Net Position	\$ <u>5,972,590</u>	\$ <u>3,487,684</u>

Net position at year-end was \$5,972,590. The Academy's net investments in capital assets were (\$3,483,384). The \$8,114,281 in unrestricted net position represents the cumulative operating results for the year ended June 30, 2023, and all prior years.

The Academy's total net position increased by \$2,484,906 during the fiscal year ended June 30, 2023 (please refer to Table 2 below). The cost to operate the Academy's programs was \$8,551,530. Partially funding these programs were grant revenues totaling \$2,981,254. The remaining cost of the Academy was funded by general revenues, primarily State Aid totaling \$7,702,646 and miscellaneous revenues \$322,878.

Table 2 – Summary of the Statement of Activities

	Governmental Activities	
	<u>2023</u>	<u>2022</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 29,658	\$ 24,607
Federal Grants	2,981,254	2,867,808
General Revenues		
State Aid- All Sources	7,702,646	6,961,186
Other Revenue	<u>322,878</u>	<u>56,782</u>
Total Revenues	\$ <u>11,036,436</u>	\$ <u>9,910,383</u>
<u>Function/Program Expenses</u>		
Instruction and Instructional Staff Services	\$ 3,669,343	\$ 3,327,309
Support Services	366,777	297,709
General, Executive and School Administration	1,436,557	1,456,902
Food Services	684,591	565,885
Business Support Services	41,201	42,739
Operations, Maintenance & Other	<u>2,353,061</u>	<u>3,407,722</u>
Total Expenses	<u>8,551,530</u>	<u>9,098,266</u>
Increase (Decrease) in Net Position	<u>\$ 2,484,906</u>	<u>\$ 812,117</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 \$9,150 per student for the 2022 - 2023 school year.
- Student Enrollment: The Academy's student enrollment for the fall count of 2023-2024 was 685 students. To calculate total state aid to be provided by the foundation allowance, a blend of 90% of current year fall count and 10% of the previous year winter count is multiplied by the Academy's foundation allowance.

Capital Assets

At June 30, 2023 Universal Academy had an investment in capital assets, net of accumulated depreciation of \$6,353,468 (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 \$622,130 of capital assets during the year. This consists primarily of computers and equipment. More detailed information about 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 \$561,494.

Table 3 – Capital Assets

<u>Description</u>	<u>June 30,2023</u>	<u>June 30, 2022</u>
Building	\$ 10,206,990	\$ 9,880,722
Leasehold Improvement	31,561	31,561
Machinery and Equipment	2,491,406	2,195,545
Other Equipment	54,975	54,975
Vehicles	<u>20,050</u>	<u>20,050</u>
Total Capital Assets	\$ 12,804,983	\$ 12,182,853
Less Accumulated Depreciation	<u>(6,451,515)</u>	<u>(5,894,736)</u>
Net Capital Assets	<u>\$ 6,353,468</u>	<u>\$ 6,288,117</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, 2023 the Academy's governmental funds had a combined balance of \$9,817,682 an increase of \$2,336,637 from June 30, 2023. 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 \$2,533,620 at June 30, 2023 to \$9,505,958 from \$6,972,338 at June 30, 2022. The increase is primarily attributable to an increase in resources and consistent management of expenditures. 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, 2023 the Food Service fund balance was \$311,724.

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, 2023 was \$5,753.

Debt

On December 1, 2021 Universal Academy refunded its 2013 Series A and B bonds, as well as the associated loans, in exchange for Series 2021 bonds. The bonds are secured with real estate property located in the City of Detroit:

<u>PUBLIC SCHOOL ACADEMY BONDS:</u>	<u>ORIGINAL LOAN</u>
SERIES 2021	\$ 8,985,000
Bond Premium (unamortized)	<u>851,852</u>
TOTAL LONG-TERM DEBT	<u>\$ 9,836,852</u>

At June 30, 2023 Universal Academy’s long term debt of \$9,836,852 was comprised of \$350,000 which is the current portion, \$8,635,000 which is the non-current portion, as well as \$851,852 unamortized bond premium, compared to \$10,225,529 at the same time last year (please refer to Table 4).

Table 4 – Outstanding Long-Term Liabilities

Bond Debt Service as of JUNE 30, 2023

Maturity Date	Principal Amount	Period	Interest Amount	Total Debt Service
12/1/2023	350,000	2023 - 2024	327,200	677,200
12/1/2024	355,000	2024 - 2025	320,150	675,150
12/1/2025	360,000	2025 - 2026	313,000	673,000
12/1/2026	370,000	2026-2027	305,700	675,700
12/1/2027	375,000	2026-2027	294,500	669,500
2028 - 2031	1,660,000	2028 - 2031	1,018,600	2,678,600
2032 - 2036	2,475,000	2032 - 2036	863,500	3,338,500
2037 - 2041	3,040,000	2037 - 2041	288,600	3,328,600
TOTAL	\$ 8,985,000		\$ 3,731,250	\$ 12,716,250

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 2023. (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 2022-23, it received \$9,150 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 2023 amended (Final) budget reflected actual enrollment based on the October 2022 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>
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
2021 - 2022	9,254,164	9,062,809
2022 - 2023	10,436,885	10,751,237

<u>Expenditures:</u>		
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
2021 - 2022	8,993,024	7,649,064
2022 - 2023	9,194,895	8,217,617

Economic Factors Affecting Next Year's Budgets

Our elected officials and administration consider many factors when setting the Academy's 2024 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The membership blend for the 2023-2024 fiscal year is based on 90% of the fall 2023 count plus 10% of the spring 2023 count. The 2024 budget was adopted in May 2023, based on an estimate of students that will be enrolled in September 2023. 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 2023-2024 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2024 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.

BASIC FINANCIAL STATEMENTS

UNIVERSAL ACADEMY
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,272,740
Cash and cash equivalents-restricted	1,029,969
Receivables	
State aid	1,562,414
Federal & state grants	669,294
Prepaid cost & other assets	81,040
Capital assets, net of accumulated depreciation	6,353,468
Total Assets	16,968,925
 Liabilities	
Accounts payable	127,005
Accrued expenditures	663,281
Other current liabilities	7,490
Long-term liabilities, due within one year	350,000
Total Current Liabilities	1,147,776
Long-term liabilities:	
Long-term liabilities, due after one year	9,486,852
Total Long-Term Liabilities	9,486,852
Deferred inflow of resources	361,707
Total Liabilities and Deferred Inflow of Resources	10,996,335
 Net Position	
Net investment in capital assets	(3,483,384)
Restricted	1,341,693
Unrestricted	8,114,281
Total Net Position	\$ 5,972,590

**UNIVERSAL ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		Governmental Activities Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 2,755,343	\$ -	\$ 2,417,042	\$ (338,301)
Supporting Services				
Pupil support services	366,777	-	-	(366,777)
Instructional support services	914,000	-	-	(914,000)
General administration	1,297,535	-	-	(1,297,535)
School administration	139,022	-	-	(139,022)
Business services	41,201	-	-	(41,201)
Operations and maintenance	556,484	-	-	(556,484)
Transportation	3,030	-	-	(3,030)
Central support services	762,054	-	-	(762,054)
Other support services	15,914	-	-	(15,914)
Community activities	55,138	-	-	(55,138)
Food service	684,591	29,658	564,212	(90,721)
Depreciation	561,494	-	-	(561,494)
Interest and fees on long-term debt	398,947	-	-	(398,947)
Total Governmental Activities	\$ 8,551,530	\$ 29,658	\$ 2,981,254	(5,540,618)
General Revenues				
State aid - all sources				7,702,646
Other sources				322,878
Total General Revenues				8,025,524
Change in Net Assets				2,484,906
Net Position - July 1, 2022				3,487,684
Net Position - June 30, 2023				\$ 5,972,590

**UNIVERSAL ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023**

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 7,272,740	\$ -	\$ 7,272,740
Cash and cash equivalents-restricted	1,029,969	-	1,029,969
Due from other governmental units	2,198,230	33,478	2,231,708
Due from other funds	-	261,719	261,719
Prepays and other current assets	60,349	20,691	81,040
Total Assets	<u>\$ 10,561,288</u>	<u>\$ 315,888</u>	<u>\$ 10,877,176</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 127,005	\$ -	\$ 127,005
Due to other funds	269,208	-	269,208
Accrued expenses	659,117	4,164	663,281
Total Liabilities	1,055,330	4,164	1,059,494
Fund Balances			
Non-Spendable Fund Balance:			
Prepaid cost	60,349	-	60,349
Restricted Fund Balance:			
Food service	-	311,724	311,724
Debt service	1,029,969	-	1,029,969
Assigned Fund Balance:			
Capital projects	1,000,000	-	1,000,000
Other purposes	5,753	-	5,753
Unrestricted Fund Balance:			
Unassigned fund balance	7,409,887	-	7,409,887
Total Fund Balance	<u>9,505,958</u>	<u>311,724</u>	<u>9,817,682</u>
Total Liabilities and Fund Balances	<u>\$ 10,561,288</u>	<u>\$ 315,888</u>	<u>\$ 10,877,176</u>

UNIVERSAL ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO THE STATEMENT OF NET POSITION
June 30, 2023

Total Fund Balances - Governmental Funds \$ 9,817,682

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

	\$ 12,804,983	
Cost of capital assets		
Accumulated depreciation	(6,451,515)	6,353,468

Bonds payable and bond premiums are not due and payable in the current period and therefore, are not reported in the funds.	(9,836,852)
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Deferred inflow of resources	(361,707)
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Total Net Position - Governmental Activities	\$ 5,972,590
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UNIVERSAL ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Local sources	\$ 86,878	\$ 29,658	\$ 116,536
State sources	7,689,388	13,258	7,702,646
Federal sources	2,738,971	564,212	3,303,183
Incoming transfers and other transactions	236,000	-	236,000
Total Governmental Fund Revenues	10,751,237	607,128	11,358,365
Expenditures			
Instruction	2,757,933	-	2,757,933
Support Services:			
Pupil support services	366,777	-	366,777
Instructional staff services	1,083,348	-	1,083,348
General administration	1,436,347	-	1,436,347
School administration	139,022	-	139,022
Business support services	41,201	-	41,201
Operations & maintenance	556,485	-	556,485
Transportation	3,030	-	3,030
Central support services	762,054	-	762,054
Other support services	15,914	-	15,914
Food services	-	804,111	804,111
Community activities	55,138	-	55,138
Facilities acquisition & construction	326,268	-	326,268
Debt service principal, interest and fees	674,100	-	674,100
Total Governmental Fund Expenditures	\$ 8,217,617	\$ 804,111	\$ 9,021,728
Excess of Revenue (Under) Over Expenditures	2,533,620	(196,983)	2,336,637
Fund Balance, July 1, 2022	6,972,338	508,707	7,481,045
Fund Balance, June 30, 2023	\$ 9,505,958	\$ 311,724	\$ 9,817,682

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

June 30, 2023

Total Net Change in Fund Balance - Governmental Funds \$ 2,336,637

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	\$	(561,494)	
Capitalized capital outlay		622,130	60,636

Revenues are reported in the statement of activities when earned; they are not reported in the funds until collected or collectible with 60 days of year end.

Prior year deferred revenue	(321,929)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Bond principal payments	340,000
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Amortization of bond premium	(48,677)
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Amortization of deferred inflow of resources	(16,170)
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Some expenses reported on the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

	134,409
--	---------

Change in Net Assets of Governmental Activities **\$ 2,484,906**

**UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023, and the contract was renewed for 5 years ending June 30, 2028. 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 \$222,067.

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, 2023

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, 2023

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. 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, 2023

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, 2023**

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, 2023

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, 2023 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 2023 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, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which the services are consumed.

**UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023.

UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position 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.

UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

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

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.

- **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.

**UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

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

Fund Equity *(continued)*

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, 2023**

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, 2023. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Unexpended appropriations 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, 2023. 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.

The Academy did not have any expenditures in functional areas that were in excess of amounts appropriated, as described on page 34 of these financial statements.

UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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.

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 \$8,302,709. The deposits of the Academy were reflected in the accounts of the financial institution at \$8,356,376 of which \$829,077 is covered by federal depository insurance, \$7,527,299 of the deposits are uninsured.

**UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4- INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

	<u>Fund Due From</u>			
<u>Fund Due To</u>	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Food Service Fund	261,718	-	-	261,718
Fiduciary Fund	7,490	-	-	7,490
Total	<u>\$ 269,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,208</u>

The balance is a result of the lag time between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2023</u>
Assets being depreciated:			
Building	\$ 9,880,722	\$ 326,268	\$ 10,206,990
Leasehold improvements	31,561	-	31,561
Furniture, fixtures & computer equipment	2,195,545	295,862	2,491,407
Playground equipment	23,085	-	23,085
Other equipment	31,890	-	31,890
Vehicles	20,050	-	20,050
Subtotal	\$ 12,182,853	\$ 622,130	\$ 12,804,983
Accumulated depreciation:			
Building	\$ 3,622,931	\$ 503,552	\$ 4,126,483
Leasehold improvements	31,561	-	31,561
Furniture, fixtures & computer equipment	2,160,503	57,944	2,218,447
Playground equipment	23,085	-	23,085
Other equipment	31,890	-	31,890
Vehicles	20,050	-	20,050
Subtotal	5,890,020	561,496	6,451,515
Net Capital Assets	<u>\$ 6,292,833</u>	<u>\$ 60,634</u>	<u>\$ 6,353,468</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, 2023**

NOTE 6 - BONDS PAYABLE

On December 1, 2021, University Academy refunded 2013 “Public School Academy Revenue Bonds” that were obtained to finance the acquisition and the construction of real estate property located in the City of Detroit.

Bonds payable and related obligations can be summarized as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Due Within One Year	Ending Balance
Bonds	\$ 9,325,000	\$ -	\$ (340,000)	\$ 350,000	\$ 8,985,000
Premium on Bonds	900,529	-	(48,677)	-	851,852
TOTAL	\$ 10,225,529	\$ -	\$ (388,677)	\$ 350,000	\$ 9,836,852

Future Bond Debt Service is as follows:

MATURITY DATES	PRINCIPAL AMOUNTS	PERIOD	INTEREST AMOUNT	TOTAL DEBT SERVICE
12/1/2023	\$ 350,000	2023-2024	\$ 327,200	\$ 677,200
12/1/2024	355,000	2024-2025	320,150	675,150
12/1/2025	360,000	2025-2026	313,000	673,000
12/1/2026	370,000	2026-2027	305,700	675,700
12/1/2027	375,000	2027-2028	294,500	669,500
2029-2031	1,660,000	2029-2031	1,018,600	2,678,600
2032-2036	2,475,000	2032-2036	863,500	3,338,500
2037-2041	3,040,000	2037-2041	288,600	3,328,600
TOTAL	\$ 8,985,000		\$ 3,731,250	\$ 12,716,250

UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 - 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 8 - 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, 2023 were approximately \$1,055,847.

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 6, 2023, 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.

UNIVERSAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 - UPCOMING ACCOUNTING PRONCEMENTS

GASB Statement No. 87, Leases

Summary

The Governmental Accounting Standards Board (GASB) Statement No.87, Leases, was issued by the GASB in June 2017. The statement is effective for all applicable fiscal years beginning after December 15, 2019, and all reporting periods thereafter. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The Academy has evaluated the pronouncement and has determined that it does not have any qualifying leases for the 2022-23 fiscal year. The Academy will continue to evaluate the impact this standard will have on the financial statements of future years.

GASB Statement No 96, Subscription-based Information Technology

Summary

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Academy has evaluated the pronouncement and has determined that it does not have any qualifying subscriptions for the 2022-23 fiscal year. The Academy will continue to evaluate the impact this standard will have on the financial statements of future years.

REQUIRED SUPPLEMENTARY INFORMATION

UNIVERSAL ACADEMY
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<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	\$ 118,000	\$ 71,107	\$ 86,878	\$ 15,771
State sources	7,241,149	7,486,209	7,689,388	203,179
Federal sources	1,881,850	2,629,569	2,738,971	109,402
Incoming transfers and other transactions	-	250,000	236,000	
Total Governmental Fund Revenues	9,240,999	10,436,885	10,751,237	328,352
Expenditures				
Instructional Services	3,198,394	3,124,680	2,757,933	(366,747)
Supporting Services:				
Pupil support services	332,438	454,009	366,777	(87,232)
Instructional staff services	659,639	1,236,257	1,083,348	(152,909)
General administration	1,287,042	1,437,140	1,436,347	(793)
School administration	192,933	196,426	139,022	(57,404)
Business support services	49,940	66,975	41,201	(25,774)
Operations and maintenance	638,563	627,149	556,485	(70,664)
Transportation	24,495	18,160	3,030	(15,130)
Central support services	855,127	838,464	762,054	(76,410)
Other support services	10,789	30,335	15,914	(14,421)
Community activities	69,466	72,175	55,138	(17,037)
Facilities acquisition and construction	363,532	391,525	326,268	(65,257)
Debt service interest & fees	936,344	701,600	674,100	(27,500)
Total Governmental Fund Expenditures	8,618,702	9,194,895	8,217,617	(977,278)
Excess of Revenues over Expenditures	622,297	1,241,990	2,533,620	1,305,630
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	622,297	1,241,990	2,533,620	(1,291,630)
Fund Balance, July 1, 2022	5,743,907	6,972,338	6,972,338	-
Fund Balance, June 30, 2023	\$ 6,366,204	\$ 8,214,328	\$ 9,505,958	\$ 1,291,630

See accompanying notes to the financial statements

OTHER SUPPLEMENTARY INFORMATION

**UNIVERSAL ACADEMY
BALANCE SHEET
SPECIAL REVENUE FUND
JUNE 30, 2023**

	<u>Food Services</u>
ASSETS	
Deposits	\$ 20,691
Due from other governmental units	33,479
Due from other funds	<u>261,718</u>
TOTAL ASSETS	<u>\$ 315,888</u>
 LIABILITIES AND FUND BALANCES	
Liabilities	
Accrued expenditures	<u>\$ 4,164</u>
TOTAL LIABILITIES	4,164
 Fund Balances	
Restricted Fund Balance:	
Food Service	<u>311,724</u>
TOTAL FUND BALANCE	<u>311,724</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 315,888</u>

See accompanying notes to the financial statements

**UNIVERSAL ACADEMY
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2023**

	Food Services
Revenues	
Local sources	\$ 29,658
State sources	13,258
Federal sources	564,212
Total Revenues	607,128
 Expenditures	
Food services	804,111
Total Expenditures	804,111
Excess of Revenues Over Expenditures and Other Financing Sources	(196,983)
Fund Balance - July 1, 2022	508,707
Fund Balance - June 30, 2023	\$ 311,724

See accompanying notes to the financial statements

**UNIVERSAL ACADEMY
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2023**

	Custodial Funds
ASSETS	
Due from General Fund	\$ 5,753
TOTAL ASSETS	\$ 5,753
 NET POSITION	
Restricted for:	
Individuals, organizations and other custodial activities	\$ 5,753
TOTAL NET POSITION	\$ 5,753

See accompanying notes to the financial statements

UNIVERSAL ACADEMY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Custodial Funds
Additions	
Fundraisers	\$ 29,954
Total additions	29,954
Deductions	
Supplies and materials	26,114
Total deductions	26,114
Net increase (decrease) in fiduciary net position	3,840
Net Position, July 1, 2022	1,913
Net Position, June 30, 2023	\$ 5,753

See accompanying notes to the financial statements

**UNIVERSAL ACADEMY
SUPPLEMENTAL INFORMATION
SINGLE AUDIT REPORT
JUNE 30, 2023**

SECTION A

**UNIVERSAL ACADEMY
SUPPLEMENTAL INFORMATION**

SINGLE AUDIT REPORT
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Wilkerson & Associate P.C.

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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 Management
and 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 (the 'Academy'), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Universal Academy's basic financial statements, and have issued our report thereon dated October 6, 2023.

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
October 6, 2023

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 Management
and 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, 2023. 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

To the Board of Directors
Universal Academy
Page 2

assurance about whether noncompliance with the types of compliance requirements referred to above 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, 2023.

Report on Internal Control Over Compliance

The 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, 2023, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements, and have issued our report thereon dated October 6, 2023, 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.

Universal Academy
To the Board of Directors
Page 4

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.

Wilkerson & Associate PC

Dearborn, Michigan
October 6, 2023

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME	CFDA NUMBER	APPROVED AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2022	FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2023
Cluster:							
Child Nutrition Cluster:							
U.S. Department of Agriculture - Passed through the Michigan Department of Education:							
Non-Cash Assistance (Commodities) 2022-2023							
National School Lunch Program - Regular	10.555	\$ 32,544	\$ -	\$ -	\$ 23,610	\$ 24,100	\$ -
National School Lunch Program - Bonus	10.555	1,663	-	-	1,663	1,663	-
Cash Assistance							
School Breakfast Program - 2021-2022 (Grant No. 221970)	10.553	17,085	-	-	17,085	17,085	-
Seamless Summer Option Breakfast - 2021-2022 (Grant No. 221971)	10.553	96,301	96,301	8,337	8,337	-	-
School Breakfast Program - 2022-2023 (Grant No. 231970)	10.553	108,527	-	-	98,889	108,527	9,639
Supply Chain Assistance - 2021-2023 (Grant No. 220910)	10.555	17,408	-	-	17,408	17,408	-
National School Lunch Program - 2021-2022 (Grant No. 221960)	10.555	47,853	-	-	47,853	47,853	-
Seamless Summer Option Lunch - 2021-2022 (Grant No. 221961)	10.555	293,252	293,252	22,028	22,028	-	-
Supply Chain Assistance - 2022-2023 (Grant No. 230910)	10.555	11,272	-	-	11,272	11,272	-
National School Lunch Program - 2022-2023 (Grant No. 231960)	10.555	328,197	-	-	306,171	328,197	22,026
National School Lunch Program-After School Snack - 2022-2023 (Grant No. 231980)	10.555	7,479	-	-	7,479	7,479	-
Pandemic EBT - 2021-2022 (Grant No. 220980)	10.649	628	-	-	628	628	-
Total Cash Assistance		928,002	389,553	30,365	537,149	538,449	31,665
Total Child Nutrition Cluster		962,209	389,553	30,365	562,422	564,212	31,665
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County RESA - IDEA							
IDEA - Regular Flow through 2021-2022 (Grant No. 220450)	84.027	115,025	115,025	8,184	8,184	-	-
IDEA - Regular Flow through 2022-2023 (Grant No. 230450)	84.027	94,136	-	-	72,425	94,136	21,711
Total Special Education Cluster		209,161	115,025	8,184	80,609	94,136	21,711
Other Federal Awards:							
U.S. Department of Education - Passed through the Michigan Department of Education - Title I, Part A:							
Improving Basic Program - 2021-2022 Regular (Grant No. 221530)	84.010	544,618	404,926	221,096	279,115	58,019	-
Improving Basic Program - 2022-2023 Regular (Grant No. 231530)	84.010	504,654	-	-	311,677	415,990	104,313
Total Title I		1,049,272	404,926	221,096	590,792	474,009	104,313

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME	CFDA NUMBER	APPROVED AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2022	FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2023
Other Federal Awards (con't):							
U.S. Department of Education:							
Passed through the Michigan Department of Education:							
Title II, Part A:							
Teacher/Principal Training - 2021-2022 (Grant No. 220520)	84.367	64,643	23,918	23,918	32,138	8,220	-
Teacher/Principal Training - 2022-2023 (Grant No. 230520)	84.367	79,094	-	-	51,866	56,864	4,998
Total Title II		<u>143,737</u>	<u>23,918</u>	<u>23,918</u>	<u>84,004</u>	<u>65,084</u>	<u>4,998</u>
U.S. Department of Education:							
Passed through the Michigan Department of Education:							
Title IV, Part A:							
Student Support & Academic Enrichment - 2021-2022 (Grant No. 220750)	84.424	63,687	30,557	25,781	34,488	8,707	-
Student Support & Academic Enrichment - 2022-2023 (Grant No. 230750)	84.424	57,200	-	-	18,555	26,078	7,523
Total Title IV		<u>120,887</u>	<u>30,557</u>	<u>25,781</u>	<u>53,043</u>	<u>34,785</u>	<u>7,523</u>
U.S. Department of Education:							
Passed through the Michigan Department of Education:							
Education Stabilization Program:							
ESSER Education Equity - 2020-2021 (Grant No. 213712)	84.425D	1,350,854	1,225,214	127,277	252,917	125,640	-
ESSER Formula Funds III - 2021-2023 (Grant No. 213713)	84.425U	3,035,984	880,774	376,929	1,526,222	1,596,738	447,445
ESSER II - Summer Programing 2020-2022 (Grant No. 213722)	84.425D	41,250	34,600	34,600	40,898	6,298	-
ESSER II Credit Recovery- 2020-2022 (Grant No. 213742)	84.425D	18,700	13,101	13,101	13,178	77	13,101
Total Education Stabilization Program		<u>4,446,788</u>	<u>2,153,689</u>	<u>551,907</u>	<u>1,833,215</u>	<u>1,728,752</u>	<u>460,546</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME	CFDA NUMBER	APPROVED AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2022	FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2023
U.S. Department of Treasury: Passed through the Michigan Department of Education: Great Start Readiness Program Funds 2021-2022 (Grant No. 222390)	21.027	135,024	114,748	8,903	38,082	20,276	-
Total Great Start Readiness Program Funds:		135,024	114,748	8,903	38,082	20,276	-
Total noncluster programs passed through the Michigan Department of Education		5,895,708	2,727,838	831,605	2,599,136	2,322,906	577,380
TOTAL FEDERAL AWARDS		\$ 7,067,078	\$ 3,232,416	\$ 870,154	\$ 3,242,167	\$ 2,981,254	\$ 630,756

**UNIVERSAL ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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, 2023. 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	\$ 2,738,971
Food Service Fund	564,212
Deferred Revenue from prior year	<u>(321,929)</u>
Total Revenue per Schedule of Expenditures of Federal Awards	<u><u>\$ 2,981,254</u></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>CFDA Number</u>	<u>Grant Number</u>	<u>As Reported on 2022-23 Grant Auditor Report</u>	<u>As Reported on 2022-23 SEFA</u>	<u>Variance</u>
Supply Chain Assistance	10.555	220910	\$ 17,408	\$ 17,408	-
National School Lunch Program	10.555	221960	47,853	47,853	-
School Breakfast Program	10.553	221970	17,767	17,085	682
Supply Chain Assistance	10.555	230910	11,272	11,272	-
School Breakfast Program	10.553	231970	108,527	108,527	-
National School Lunch Program	10.555	231960	328,197	328,197	-
National School Lunch Program-After School Snack	10.555	231980	7,479	7,479	-
Pandemic EBT	10.649	220980	628	628	-
Title I Part A	84.010	221530	226,736	58,019	168,717
Title I Part A	84.010	231530	412,924	415,990	(3,066)
Title II Part A	84.367	220520	8,565	8,220	345
Title II Part A	84.367	230520	51,866	56,864	(4,998)
Title IV Part A	84.424	220750	24,951	8,707	16,244
Title IV Part A	84.424	230750	22,078	26,078	(4,000)
ESSER Education Equity Funds	84.425D	213712	218,993	125,640	93,353
ESSER II Summer Programing	84.425D	213722	40,898	6,298	34,600
ESSER II Credit Recovery	84.425D	213742	13,178	77	13,101
ESSER Formula Funds III	84.425U	213713	1,756,999	1,596,738	160,261
TOTAL			\$ 3,316,318	\$ 2,841,080	

**UNIVERSAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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 X No

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? Yes X No

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

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Audit Requirements of the Uniform Guidance? Yes X No

Identification of major program:

CFDA Number	Federal Program
84.010,84.027,84.367,&84.424	Title 1, II & IV, & IDEA

**UNIVERSAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

Auditee qualified as low-risk auditee? X Yes No

Section 2 - Financial Statement Audit Findings

None

Section 3 - Federal Program Audit Findings

None

UNIVERSAL ACADEMY
REPORT TO THE BOARD OF DIRECTORS

JUNE 30, 2023

Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of
Universal Academy

We have recently completed our audit of the basic financial statements of Universal Academy (the “Academy”) as of and for the year ended June 30, 2023. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy:

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Results of Audit	2-5
Recommendations	6

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

Wilkerson & Associate PC

October 6, 2023

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

To the Board of Directors
Universal Academy
October 6, 2023

Results of the Audit

We have audited the financial statements of Universal Academy (the “Academy”) as of and for the year ended June 30, 2023, and have issued our report thereon dated October 6, 2023. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 27, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Academy. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

Our audit of the Academy’s financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Academy’s compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated October 6, 2023, regarding our consideration of the Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

To the Board of Directors
Universal Academy
October 6, 2023

We are also obligated to communicate certain matters related to our audit of those responsible for the governance of the Academy, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters during the preliminary audit phase.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Academy are described in Note 1 to the financial statements, a new accounting policy was adopted, GASB 87, and the application of existing policies were not changed during the year ended June 30, 2023.

We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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. There were no significant estimates included in this year's financial statements.

To the Board of Directors
Universal Academy
October 6, 2023

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive disclosures included in the financial statements.

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. There were no such misstatements identified.

Disagreements with Management

For the purpose 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 statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

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

Management Consultants 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 consultant 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.

To the Board of Directors
Universal Academy
October 6, 2023

Other Audit Findings or Issues

In the normal course of our professional association with the Academy, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Academy's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Academy's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such information is properly stated. However, we read the management's discussion and analysis and budgetary comparison schedule and nothing came to our attention that caused us to believe that such information, or its manner of presentation is materially inconsistent with the information or manner of its presentation in the financial statements.

In addition to the comments and recommendations in this letter, our observations and comments regarding the Academy's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the 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*.

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

Very truly yours,

Wilkerson & Associate PC

Larry D. Wilkerson, CPA

Universal Academy
October 6, 2023

Recommendations

UNIVERSAL ACADEMY RECOMMENDATIONS

As a result of auditing standards required to be implemented last year, the audit continues to require a strong emphasis to be placed on the Academy's internal control systems. The primary goal of internal controls is to provide a reasonable (as opposed to absolute) protection to the Academy and its assets and financial information. During this year's audit process, we noted no items that required management to make changes; therefore, **no recommendations are made for this year.**