

UNIVERSITY PREP SCIENCE AND MATH  
FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2018

UNIVERSITY PREP SCIENCE AND MATH  
FINANCIAL STATEMENTS  
JUNE 30, 2018

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**GREGORY  
TERRELL  
& COMPANY**

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors  
Public School Academies of Detroit

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of University Prep Science and Math as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of University Preparatory Science and Math as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

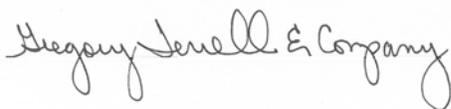
## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–7 and 13–14, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2018 on 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 and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Academy's internal control over financial reporting and compliance.



## **GREGORY TERRELL & COMPANY**

Certified Public Accountants

Detroit, Michigan

October 30, 2018

UNIVERSITY PREP SCIENCE AND MATH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2018

This section of University Prep Science and Math's annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2018. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand University Prep Science and Math financially as a whole. The Government-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Government-wide financial statements by providing information about the Academy's most significant fund - the General Fund, with all other funds presented in one column as non-major funds.

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

**Basic Financial Statements**

*Government-wide Financial Statements*      *Fund Financial Statements*

*Notes to the Basic Financial Statements*

*(Required Supplemental Information)*  
*Budgetary Information for Major Funds*

*Other Supplemental Information*

UNIVERSITY PREP SCIENCE AND MATH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2018

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

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Academy's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy. The statement of net position and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, community services, and food services. Unrestricted State Aid (foundation allowance revenue), and state and federal grants finance most of these activities.

***Reporting the Academy's Most Significant Funds - Fund Financial Statements***

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by State law. However, the Academy establishes other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using grants and other money. The governmental funds of the Academy use the following accounting approach:

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

UNIVERSITY PREP SCIENCE AND MATH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2018

**The Academy as a Whole**

Recall that the statement of net position provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position as of June 30, 2018 and 2017:

Table 1

	<b>Governmental Activities</b>	
	<b>June 30</b>	
	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current and Other Assets	\$ 4,697,808	\$ 4,322,629
Capital Assets (net)	850,764	972,004
Total Assets	\$ 5,548,572	\$ 5,294,633
<b>Liabilities</b>		
Current and Other Liabilities	\$ 1,191,963	\$ 1,088,762
	\$ 1,191,963	\$ 1,088,762
<b>Net Assets</b>		
Investment in Capital Assets	\$ 850,764	\$ 972,004
Unrestricted	3,505,845	3,233,867
Total Net Position	\$ 4,356,609	\$ 4,205,871

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the Academy's governmental activities is discussed below. The Academy's unrestricted net position was \$3,505,845 and \$3,233,867 at June 30, 2018 and 2017, respectively. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

UNIVERSITY PREP SCIENCE AND MATH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2018

The results of this year's operations for the Academy as a whole are reported in the statement of activities (Table 2), which shows the increase in net position for the fiscal years ending June 30, 2018 and 2017:

Table 2

	<b>Governmental Activities</b>	
	<b>June 30</b>	
	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Program Revenue:		
Operating Grants	\$ 2,891,974	\$ 2,781,389
Charges for Services	53,749	52,699
General Revenue:		
State Foundation Allowance	11,240,520	10,706,104
Miscellaneous Revenue	83,452	131,409
Total Revenue	<u>\$ 14,269,695</u>	<u>\$ 13,671,601</u>
<b>Functions/Program Expenditures</b>		
Instruction	\$ 6,610,134	\$ 6,245,460
Support Services	6,595,554	6,342,498
Food Services	481,422	489,763
Community Services	33,123	62,873
Interest	29,415	29,611
Unallocated Depreciation	369,309	341,954
Total Expenditures	<u>\$ 14,118,957</u>	<u>\$ 13,512,159</u>
Increase in Net Position	<u>\$ 150,738</u>	<u>\$ 159,442</u>

As reported in the statement of activities, the cost of all *governmental* activities for the year ended June 30, 2018 and 2017 was \$14,118,958 and \$13,512,159, respectively. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions \$2,891,974 in 2018 and \$2,781,389 in 2017. We paid for the remaining "public benefit" portion of our governmental activities with \$11,240,520 in 2018 and \$10,706,104 in 2017 in State foundation allowance, and with our other revenues, i.e., interest and contributions.

UNIVERSITY PREP SCIENCE AND MATH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2018

**General Fund Budgetary Highlights**

Over the course of the year, the Academy revises its budget as unexpected changes in revenues and expenditures arise. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

**Capital Assets**

As of June 30, 2018, the Academy had a net investment of \$850,764 in furniture and computer hardware. No debt was issued for these additions. We present more detailed information regarding our capital assets in the notes to the financial statements.

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

Our elected officials and administration consider many factors when setting the Academy's 2018-2019 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 blended count for the 2018-2019 fiscal-year is 10 percent and 90 percent of the February 2018 and October 2018 student counts, respectively. The Academy has budgeted its enrollment at 1,496 students for the 2018-2019 school-year, which is an increase of 31 students from the 2017-2018 school year. The 2018-2019 school-year will be the eleventh year of operation for the Academy.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, actual revenue received depends on the State's ability to collect revenues to fund its appropriation to its various school districts.

The Academy has prepared its 2018 budget assuming a foundation allowance of \$7,871 per pupil. The Academy continues to be diligent in its spending and monitors its budget closely.

**Contacting the Academy's Management**

This financial report is intended to provide our taxpayers, parents, and donors with a general overview of the District's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Business Office, University Prep Science & Math, 610 Antoinette, MI 48202.

UNIVERSITY PREP SCIENCE AND MATH  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 2,301,661
Due from Other Governmental Units	2,346,779
Accounts Receivable	23,642
Prepaid Expenses	25,726
Capital Assets (net)	850,764
<b>Total Assets</b>	<b>\$ 5,548,572</b>
 <b>Liabilities</b>	
Accounts Payable	\$ 315,593
Accrued Expenditures	475,289
Due to Student Groups	132,154
Unearned Revenue	21,052
Contingent Liabilities	47,875
Loan Payable	200,000
<b>Total Liabilities</b>	<b>\$ 1,191,963</b>
 <b>Net Position</b>	
Invested in Capital Assets	\$ 850,764
Unrestricted	3,505,845
<b>Total Net Position</b>	<b>\$ 4,356,609</b>

The accompanying notes are an integral part of this financial statement.

UNIVERSITY PREP SCIENCE AND MATH  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities Net (expenses) Revenues and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
Governmental Activities:				
Instruction	\$ 6,610,134	\$ -	1,818,790	\$ (4,791,344)
Support Services	6,595,554	-	677,291	(5,918,263)
Food Services	481,422	53,749	395,893	(31,780)
Community Services	33,123	-	-	(33,123)
Interest	29,415	-	-	(29,415)
Unallocated Depreciation	369,309	-	-	(369,309)
Total Governmental Activities:	<u>\$ 14,118,957</u>	<u>\$ 53,749</u>	<u>\$ 2,891,974</u>	<u>\$ (11,173,234)</u>
General Revenues:				
State of Michigan School Aid Unrestricted				\$ 11,240,520
Miscellaneous Revenue				<u>83,452</u>
Total General Revenues				<u>\$ 11,323,972</u>
Change in Net Position				\$ 150,738
<b>Net Position</b> , Beginning of Year				<u>4,205,871</u>
<b>Net Position</b> , End of Year				<u><u>\$ 4,356,609</u></u>

The accompanying notes are an integral part of this financial statement.

**UNIVERSITY PREP SCIENCE AND MATH**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

<b>ASSETS</b>	<b>General</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 2,301,661	\$ -	\$ 2,301,661
Due from Other Governmental Units	2,280,098	66,681	2,346,779
Accounts Receivable	23,642	-	23,642
Prepaid Expenses	25,726	-	25,726
Due from Other Funds	66,681	-	66,681
<b>Total Assets</b>	<b>\$ 4,697,808</b>	<b>\$ 66,681</b>	<b>\$ 4,764,489</b>

**LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES**

<b>Liabilities</b>			
Accounts Payable	\$ 315,593	\$ -	\$ 315,593
Accrued Expenditures	475,289	-	475,289
Due to Student Groups	132,154	-	132,154
Unearned Revenue	21,052	-	21,052
Contingent Liabilities	47,875	-	47,875
Loan Payable	200,000	-	200,000
Due to Other Funds	-	66,681	66,681
<b>Total Liabilities</b>	<b>\$ 1,191,963</b>	<b>\$ 66,681</b>	<b>\$ 1,258,644</b>

**Deferred Inflow of Resources - Unavailable**

Revenue	\$ 15,625	\$ -	\$ 15,625
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**Fund Balances**

Non-spendable	\$ 25,726	\$ -	\$ 25,726
Unassigned	3,464,494	-	3,464,494
<b>Total Fund Balances</b>	<b>\$ 3,490,220</b>	<b>\$ -</b>	<b>\$ 3,490,220</b>

**Total Liabilities, Deferred Inflow of  
Resources and Fund Balances**

<b>\$ 4,697,808</b>	<b>\$ 66,681</b>	<b>\$ 4,764,489</b>
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**Total Governmental Fund Balances**

\$ 3,490,220

Amounts reported for Governmental Activities in the Statement of Net Position that are different:

Capital Assets used in Governmental Activities are not Financial Resources and therefore are not reported in the funds:

The cost of Capital Assets is	2,188,083	
Accumulated Depreciation is	<u>(1,337,319)</u>	850,764

Receivables are not available to pay current period expenditures and are therefore deferred in the Governmental Funds

15,625

**Net Position - Governmental Activities**

\$ 4,356,609

The accompanying notes are an integral part of this financial statement.

UNIVERSITY PREP SCIENCE AND MATH  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Local Sources	617,230	\$ 53,749	\$ 670,979
State Sources	12,266,075	11,548	12,277,623
Federal Sources	1,047,649	374,675	1,422,324
Total Revenues	<u>\$ 13,930,954</u>	<u>\$ 439,972</u>	<u>\$ 14,370,926</u>
<b>EXPENDITURES:</b>			
Instruction:			
Basic Programs	\$ 5,605,743	\$ -	\$ 5,605,743
Added Needs	1,064,827	-	1,064,827
Total Instruction	<u>\$ 6,670,570</u>	<u>\$ -</u>	<u>\$ 6,670,570</u>
Support Services:			
Pupil Services	\$ 743,303	\$ -	\$ 743,303
Instructional Staff	1,008,092	-	1,008,092
General Administration	443,436	-	443,436
School Administration	791,208	-	791,208
Business Services	844,381	-	844,381
Operations and Maintenance	2,033,026	-	2,033,026
Pupil Transportation	26,731	-	26,731
Central Support Services	674,003	-	674,003
Other Support Services	112,104	-	112,104
Total Support Services	<u>\$ 6,676,284</u>	<u>\$ -</u>	<u>\$ 6,676,284</u>
Debt Service			
Interest	\$ 29,415	\$ -	\$ 29,415
Community Services	\$ 33,123	\$ -	\$ 33,123
Food Services	\$ -	\$ 481,422	\$ 481,422
Capital Improvements	\$ 106,900	\$ -	\$ 106,900
Total Expenditures	<u>\$ 13,516,292</u>	<u>\$ 481,422</u>	<u>\$ 13,997,714</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 414,662	\$ (41,450)	\$ 373,212
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating Transfers In	-	41,450	41,450
Operating Transfers Out	(41,450)	-	(41,450)
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 373,212</u>	<u>\$ -</u>	<u>\$ 373,212</u>
Beginning of Year	3,117,008	-	3,117,008
End of Year	<u>\$ 3,490,220</u>	<u>\$ -</u>	<u>\$ 3,490,220</u>

The accompanying notes are an integral part of this financial statement.

UNIVERSITY PREP SCIENCE AND MATH  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

**Net Change in Fund Balances - Governmental Funds** \$ 373,212

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report Capital Outlay as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capitalized Outlay	248,069
Depreciation Expense	(369,309)

Revenue is recorded in the statement of activities when earned; it is not reported in the governmental funds until collected or collectible within 60 days of year end.

Current year	15,625
Prior year	<u>(116,859)</u>

**Change in Net Position - Governmental Activities** \$ 150,738

The accompanying notes are an integral part of this financial statement.

**UNIVERSITY PREP SCIENCE AND MATH**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b><u>Budgeted Amounts</u></b>			<b>Variance Under/(Over) Final Budget</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual Amounts</u></b>	
<b>REVENUES:</b>				
Local Sources	\$ 528,805	\$ 614,501	\$ 617,230	\$ (2,729)
State Sources	11,894,619	12,278,764	12,266,075	12,689
Federal Sources	971,894	1,044,045	1,047,649	(3,604)
Total Revenues	<u>\$ 13,395,318</u>	<u>\$ 13,937,310</u>	<u>\$ 13,930,954</u>	<u>\$ 6,356</u>
<b>EXPENDITURES:</b>				
Instruction:				
Basic Programs	\$ 5,592,176	\$ 5,666,431	\$ 5,605,743	\$ 60,688
Added Needs	1,127,568	1,096,341	1,064,827	31,514
Total Instruction	<u>\$ 6,719,744</u>	<u>\$ 6,762,772</u>	<u>\$ 6,670,570</u>	<u>\$ 92,202</u>
Support Services:				
Pupil Services	\$ 795,643	\$ 766,828	\$ 743,303	\$ 23,525
Instructional Staff	982,348	1,036,110	1,008,092	28,018
General Administration	382,171	456,790	443,436	13,354
School Administration	773,765	795,606	791,208	4,398
Business Services	834,372	844,399	844,381	18
Operations and Maintenance	1,968,364	2,023,137	2,033,026	(9,889)
Pupil Transportation	25,000	30,000	26,731	3,269
Central Support Services	549,230	750,976	674,003	76,973
Other Support Services	141,329	143,563	112,104	31,459
Total Support Services	<u>\$ 6,452,222</u>	<u>\$ 6,847,409</u>	<u>\$ 6,676,284</u>	<u>\$ 171,125</u>
Debt Service				
Interest	\$ 30,000	\$ 30,000	\$ 29,415	\$ 585
Community Services	\$ 49,340	\$ 47,602	\$ 33,123	\$ 14,479
Capital Improvements	\$ 300,000	\$ 195,000	\$ 106,900	\$ 88,100
Total Expenditures	<u>\$ 13,551,306</u>	<u>\$ 13,882,783</u>	<u>\$ 13,516,292</u>	<u>\$ 366,491</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (155,988)	\$ 54,527	\$ 414,662	\$ (360,135)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In (Out)	(81,621)	(54,000)	(41,450)	12,550
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (237,609)</u>	<u>\$ 527</u>	<u>\$ 373,212</u>	<u>\$ (372,685)</u>
Beginning of Year	3,117,008	3,117,008	3,117,008	-
End of Year	<u>\$ 2,879,399</u>	<u>\$ 3,117,535</u>	<u>\$ 3,490,220</u>	<u>\$ (372,685)</u>

The accompanying notes are an integral part of this financial schedule.

UNIVERSITY PREP SCIENCE AND MATH  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
SCHOOL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance Under/(Over) Final Budget</u>
<b>REVENUES:</b>				
Local Sources	\$ 45,000	\$ 52,950	\$ 53,749	\$ (799)
State Sources	12,000	12,369	11,548	821
Federal Sources	377,000	364,921	374,675	(9,754)
Total Revenues	<u>\$ 434,000</u>	<u>\$ 430,240</u>	<u>\$ 439,972</u>	<u>\$ (9,732)</u>
<b>EXPENDITURES:</b>				
Food Services	\$ 515,621	\$ 484,240	\$ 481,422	\$ 2,818
Total Expenditures	<u>\$ 515,621</u>	<u>\$ 484,240</u>	<u>\$ 481,422</u>	<u>\$ 2,818</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (81,621)	\$ (54,000)	\$ (41,450)	\$ (12,550)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In (Out)	<u>81,621</u>	<u>54,000</u>	<u>41,450</u>	<u>12,550</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ -	\$ -	\$ -	\$ -
Beginning of Year	-	-	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial schedule.

UNIVERSITY PREP SCIENCE AND MATH  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2018

	<u>Student Activities - Agency Fund</u>
Assets - Due from General Fund	<u>\$ 132,154</u>
Liabilities - Due to Student Groups	<u>\$ 132,154</u>

UNIVERSITY PREP SCIENCE AND MATH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

(1) **ORGANIZATION**

University Prep Science and Math (“the Academy”) is an urban public school academy under the Public School Academies of Detroit (“PSAD”) pursuant to Part 6C of the Michigan Revised School Code of 1976, as amended. The Michigan Department of Education has issued a school district number to the Academy. PSAD filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation act of 1982, as amended, in May 2007. The Academy began operations on July 1, 2008.

On December 14, 2007, PSAD entered into a ten-year contract with Grand Valley State University (“GVSU”). On February 2, 2018, PSAD signed another ten-year-contract with GVSU that expires on June 30, 2028. The contract requires PSAD 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. Grand Valley State University is the fiscal agent for PSAD and is responsible for overseeing PSAD’s compliance with the contract and all applicable laws. PSAD on behalf of the Academy pays Grand Valley State University three percent (3%) of its state aid as administrative fees. The total administrative fees paid for the year ended June 30, 2018 were \$334,002.

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS**

The academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Academy. For the most part, the effect of inter-fund activity has been removed from these statements. All of the Academy’s activities are classified as governmental activities.

The statement of activities, demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid and other unrestricted items are not included as program revenues but instead as *general revenues*.

**Measurement focus, basis of accounting, and financial statement presentation**

The academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

UNIVERSITY PREP SCIENCE AND MATH  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(Continued)

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)**

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

Governmental fund financial statements are reported using the current *financial resources, measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as 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.

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

The Academy reports the following major governmental fund:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The Academy reports the following non-major governmental fund:

The *school service fund* is the Academy's primary non-major fund. It is used to account for food services operations. It is a subsidiary operation and obligation of the general fund.

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the accounting principles outlined in the Michigan School Accounting Manual. The significant accounting policies followed by University Prep Science and Math (the "Academy") are described as follows:

UNIVERSITY PREP SCIENCE AND MATH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018  
(Continued)

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to cash.

Revenue Recognition

All grant and contract revenues are recognized only to the extent earned.

Deferred Outflow and Inflow of Resources

Deferred Outflow of Resources is defined as the consumption or usage of net position applicable to a future reporting period. These types of resources are similar to assets and have a positive effect on the Statement of Net Position. Deferred Inflow of Resources is defined as the acquisition of net position applicable to a future reporting period. These types of resources are similar to liabilities and have a negative effect on the Statement of Net Position.

Use of Estimates

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

Budgets and Budgetary Accounts

The General Fund budget was adopted on a basis consistent with accounting principles generally accepted in the United States of America and in compliance with the Uniform Budgeting and Accounting (P.A. 621 of 1978). A separate School Service Fund budget was adopted.

For the year end June 30, 2018, expenditures exceeded appropriations as follows:

<u>General Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operations and Maintenance	\$2,023,137	\$2,033,026	\$ (9,889)

UNIVERSITY PREP SCIENCE AND MATH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018  
(Continued)

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Capital Assets

Capital assets purchased or acquired are stated at historical cost. The Academy's capitalization policy is to capitalize purchases that exceed \$5,000 and have estimated useful lives in excess of one year.

The cost of normal maintenance and repairs that do not add to the value of the capital assets or materially extend their lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Capital assets are depreciated using the straight line method over the estimated lives as follows:

Furniture and other equipment	3-10 years
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(4) **CASH AND CASH EQUIVALENTS**

The Academy's deposits are included on the balance sheet under the following classifications:

Cash and cash equivalents	<u>\$ 2,301,661</u>
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State law authorizes the Academy to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or trustees is secured in accordance with the requirements of the agency or trust agreement.

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned by the bank. 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 financial institution; only those institutions with an acceptable estimated risk level are used as depositories. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$2,445,771. Of this amount, \$250,000 is covered by Federal Depository Insurance and \$2,195,771 was uninsured and uncollateralized.

**UNIVERSITY PREP SCIENCE AND MATH**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

(Continued)

**(5) CAPITAL ASSETS**

A summary of capital assets is presented below:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>
Furniture and Other Equipment	\$ 1,940,014	\$ 248,069	\$ -	\$ 2,188,083
Less: Accumulated Depreciation	<u>(968,010)</u>	<u>(369,309)</u>	<u>-</u>	<u>(1,337,319)</u>
Net Capital Assets	<u>\$ 972,004</u>	<u>\$ (121,240)</u>	<u>\$ -</u>	<u>\$ 850,764</u>

**(6) DUE FROM OTHER GOVERNMENTAL UNITS**

Due from other governmental units as of June 30, 2018 for the Academy's general fund and school service fund were as follows:

State of Michigan - State Aid	\$ 2,221,478
State of Michigan - Federal	<u>125,301</u>
Total	<u>\$ 2,346,779</u>

**(7) MANAGEMENT AGREEMENT**

For the year ended June 30, 2018, the Academy utilized a management company, Detroit 90/90, a not-for-profit corporation to provide personnel, management services, back office operations, and curriculum services. Detroit 90/90 is reimbursed for its direct costs as approved in the Academy's budget. The management fee for the year ended June 30, 2018 was \$590,504.

**(8) LOAN PAYABLE**

On August 25, 2017, PSAD entered into an agreement with Comerica Bank on behalf of the Academy for a State Aid Note in the amount of \$800,000. The Note is guaranteed by the Academy's State Aid payments. The note has a daily adjusting LIBOR rate plus 3.0 percent. The Note requires four monthly principal and interest payments. The Note matures July 28, 2018 and the balance of the note as of June 30, 2018 was \$200,000. Total interest expense was \$29,415 for the year ended at June 30, 2018.

UNIVERSITY PREP SCIENCE AND MATH  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(Continued)

(9) **COMMITMENTS**

The Academy leases its buildings from PSAD, which is obligated under three operating leases for its elementary, middle and high school facilities. Two lease requires an annual base rent of \$1 and expires on June 30, 2019 and 2023, respectively; and one has minimum future lease requirements as follows:

	<b>Elementary School</b>
2019	\$ 242,500
2020	535,000
2021	535,000
2022	537,768
2023	543,052
Total	<u>\$ 2,393,320</u>

The Academy is responsible for all required maintenance for the facility. The leases also require the Academy to meet certain performance standards including re-enrollment rates, average daily attendance rates, and minimum test scores.

The Academy is also in two lease agreements with Ricoh USA., Inc. for two copiers that are payable over 60 monthly minimum payments of \$3,900 beginning October 2016, and \$901 beginning March 2018. The lease expenses for the year ended June 30, 2018 were \$50,794.

Future minimum lease commitments as of June 30, 2018 are as follows:

2019	\$ 57,612
2020	57,612
2021	57,612
2022	14,712
2023	7,208
Total	<u>\$ 194,756</u>

(10) **CONTINGENT LIABILITIES**

At June 30, 2018, the Academy has recorded a contingent liability in the amount of \$47,875 for estimated and unbilled Detroit Water and Sewage Department drainage fees, and DTE Energy gas fees.

UNIVERSITY PREP SCIENCE AND MATH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018  
(Continued)

(11) **DEFERRED INFLOW - UNAVAILABLE/UNEARNED REVENUE**

At June 30, 2018, the Academy received governmental funds prior to meeting all eligibility requirements. Governmental funds are reported as unavailable revenue when receivables are considered to be unavailable to liquidate liabilities of the current period. Governmental funds are unearned when resources have been received but not yet earned.

	Deferred Inflow - Unavailable	Unearned
Grants and Categorical Aid Payments received prior to meeting all eligibility requirements:	\$ 15,625	\$ 21,052

(12) **SUBSEQUENT EVENTS**

On August 30, 2018, PSAD entered into an agreement on behalf of the Academy with Comerica Bank for a note in the amount of \$350,000. The note is guaranteed by the Academy's State Aid payments. The note has a daily adjusting LIBOR rate plus 3 percent. The note requires total interest payments of \$12,816 and two monthly principal payments as follows:

Date	Amount
4/26/2019	\$ 200,000
5/31/2019	150,000
Total Principal	\$ 350,000
Interest	12,816
<b>Total Principal and Interest</b>	<b>\$ 362,816</b>

Subsequent events have been evaluated through October 30, 2018, 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.