

UNIVERSITY PREPARATORY ACADEMY
FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT
JUNE 30, 2022

UNIVERSITY PREARATORY ACADEMY
FINANCIAL STATEMENTS
JUNE 30, 2022

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**GREGORY
TERRELL
& COMPANY**

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Public School Academies of Detroit

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of University Preparatory Academy, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise University Preparatory 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 University Preparatory Academy, as of June 30, 2022, and the respective changes in financial position and, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of University Preparatory Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about University Preparatory 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of University Preparatory Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about University Preparatory 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.

Change in Accounting Principle


As discussed in Note 3 to the financial statements, in 2022 the Academy adopted new accounting guidance, GASBS No. 87, Leases. Our opinion is not modified with respect to this matter.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 25, 2022 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 25, 2022

UNIVERSITY PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2022

This section of University Preparatory Academy's annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2022. 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 Preparatory Academy 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 funds - the General Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the Academy acts solely as an agent for the benefit of students and parents.

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 PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2022

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 and by bond covenants. 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 PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2022

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, 2022 and 2021 (restated for GASB No. 87):

Table 1

	Governmental Activities	
	June 30	
	2022	2021
Assets		
Current and Other Assets	\$ 6,030,293	\$ 6,242,258
Capital Assets	1,445,776	1,734,051
Total Assets	\$ 7,476,069	\$ 7,976,309
Liabilities		
Current and Other Liabilities	\$ 2,498,629	\$ 3,053,637
	\$ 2,498,629	\$ 3,053,637
Net Position		
Investment in Capital Assets, Net of Related Debt	\$ 389,826	\$ 1,734,051
Unrestricted	4,587,614	3,188,621
Total Net Position	\$ 4,977,440	\$ 4,922,672

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 \$4,587,614 and \$3,188,621 at June 30, 2022 and 2021, 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 PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2022**

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 change in net position for the fiscal years ending June 30, 2022 and 2021 (restated for GASB No. 87):

Table 2

	Governmental Activities	
	Year Ending June 30	
	2022	2021
Revenue		
Program Revenue:		
Operating Grants	\$ 6,868,147	\$ 6,257,898
Charges for Services	4,019	1,170
General revenue:		
State Foundation Allowance	15,828,867	15,275,509
Miscellaneous Revenue	18,540	7,423
Total Revenue	<u>\$ 22,719,573</u>	<u>\$ 21,542,000</u>
Functions/Program Expenditures		
Instruction	\$ 11,913,022	\$ 10,688,495
Support Services	9,273,880	8,039,825
Food Services	699,988	482,035
Community Services	30,647	32,899
Capital Improvements	244,669	177,318
Interest	33,732	91,163
Unallocated Depreciation/Amortization	468,867	495,775
Total Expenditures	<u>\$ 22,664,805</u>	<u>\$ 20,007,510</u>
Decrease in Net Position	<u>\$ 54,768</u>	<u>\$ 1,534,490</u>

As reported in the statement of activities, the cost of all *governmental* activities for the year ended June 30, 2022 and 2021 were \$22,664,805 and \$20,007,510, respectively. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions of \$6,868,146 in 2022 and \$6,257,898 in 2021. We paid for the remaining "public benefit" portion of our governmental activities with \$15,828,867 in 2022 and \$15,275,509 in 2021 in State foundation allowance, and with our other revenues, i.e., interest and contributions.

UNIVERSITY PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2022

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, 2022, the Academy had invested \$1,445,776 in furniture, leasehold improvements, and computer hardware. This represents a decrease of \$288,275 from last year. The Academy adopted GASB 87, which resulted in the recognition of right-of-use assets and lease liabilities. We present more detailed information regarding our capital assets and related lease liabilities 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 2022-2023 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 2022-2023 fiscal year is 10 percent and 90 percent of the February 2022 and October 2022 student counts, respectively. The Academy has budgeted its enrollment at 1,902 students for the 2022-2023 school year end, which is the same as the 2021-2022 school year.

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 2022-2023 budget assuming a foundation allowance of \$9,000 per pupil, however has subsequently received confirmation from the State that the foundation allowance will be \$9,150 per pupil. The Academy will propose a budget amendment to increase the foundation allowance in October. The Academy has received numerous federal grants to cover all anticipated COVID-19 related expenditures. The Academy will continue 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 Academy'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 Preparatory Academy, 485 W. Milwaukee St., Detroit, MI, 48202.

UNIVERSITY PREPARATORY ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 2,024,082
Due from Other Governmental Units	3,777,285
Accounts Receivable	227,059
Prepaid Expenses	1,867
Capital Assets, net	1,445,776
Total Assets	\$ 7,476,069
Liabilities	
Accounts Payable	\$ 411,634
Accrued Expenses	874,885
Lease Liability - Current	10,940
Lease Liability - Long Term	1,045,010
Unearned Revenue	156,160
Total Liabilities	\$ 2,498,629
Net Position	
Invested in Capital Assets, Net of Related Debt	\$ 389,826
Unrestricted	4,587,614
Total Net Position	\$ 4,977,440

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

UNIVERSITY PREPARATORY ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
		<u>Services</u>	<u>Grants</u>	<u>Net (Expenses)</u>
				<u>Revenues and</u>
				<u>Changes in</u>
				<u>Net Position</u>
Governmental Activities:				
Instruction	\$ 11,913,022	\$ -	\$ 3,804,337	\$ (8,108,685)
Support Services	9,273,880	4,019	2,451,560	(6,818,301)
Food Services	699,988	-	610,746	(89,242)
Community Services	30,647	-	1,504	(29,143)
Capital Improvements	244,669	-	-	(244,669)
Interest	33,732	-	-	(33,732)
Unallocated Depreciation/Amortization	468,867	-	-	(468,867)
Total Governmental Activities:	<u>\$ 22,664,805</u>	<u>\$ 4,019</u>	<u>\$ 6,868,147</u>	<u>\$ (15,792,639)</u>
General Revenues:				
State of Michigan School Aid Unrestricted				\$ 15,828,867
Miscellaneous Revenue				18,540
Total General Revenues				<u>\$ 15,847,407</u>
Change in Net Position				\$ 54,768
Net Position, Beginning of Year				<u>4,922,672</u>
Net Position, End of Year				<u>\$ 4,977,440</u>

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

UNIVERSITY PREPARATORY ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Assets			
Cash and Cash Equivalents	\$ 2,024,082	\$ -	\$ 2,024,082
Due from Other Governmental Units	3,664,983	112,302	3,777,285
Accounts Receivable	227,059	-	227,059
Prepaid Expenditures	1,867	-	1,867
Due From Other Funds	-	14,304	14,304
Total Assets	\$ 5,917,991	\$ 126,606	\$ 6,044,597
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 321,560	\$ 90,074	\$ 411,634
Accrued Expenses	874,885	-	874,885
Unearned Revenue	119,628	36,532	156,160
Due to Other Funds	14,304	-	14,304
Total Liabilities	\$ 1,330,377	\$ 126,606	\$ 1,456,983
Deferred Inflow of Resources - Unavailable Revenue	\$ 1,101	\$ -	\$ 1,101
Fund Balances			
Non-spendable	\$ 1,867	\$ -	\$ 1,867
Committed	260,000	-	260,000
Assigned	466,083	-	466,083
Unassigned	3,858,563	-	3,858,563
Total Fund Balances	\$ 4,586,513	\$ -	\$ 4,586,513
Total Liabilities, and Fund Balances	\$ 5,917,991	\$ 126,606	\$ 6,044,597
Total Governmental Fund Balances			\$ 4,586,513
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		4,404,053	
Accumulated Depreciation is		(2,958,277)	1,445,776
Lease Liability			(1,055,950)
Receivables are not available to pay current period expenditures and are therefore deferred in the Governmental Funds			1,101
Total Net Position of Governmental Activities			\$ 4,977,440

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

UNIVERSITY PREPARATORY ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Local Sources	\$ 814,017	\$ -	\$ 814,017
State Sources	17,372,860	16,461	17,389,321
Federal Sources	3,921,951	594,285	4,516,236
Total Revenues	<u>\$ 22,108,828</u>	<u>\$ 610,746</u>	<u>\$ 22,719,574</u>
EXPENDITURES:			
Instruction:			
Basic Programs	\$ 10,441,877	\$ -	\$ 10,441,877
Added Needs	1,644,288	-	1,644,288
Total Instruction	<u>\$ 12,086,165</u>	<u>\$ -</u>	<u>\$ 12,086,165</u>
Support Services:			
Instructional Support	\$ 1,449,426	\$ -	\$ 1,449,426
Pupil Support	1,325,681	-	1,325,681
General Administration	1,225,088	-	1,225,088
School Administration	1,498,912	-	1,498,912
Business Service	436,529	-	436,529
Operations and Maintenance	2,101,492	-	2,101,492
Pupil Transportation	28,421	-	28,421
Central Support Services	1,100,007	-	1,100,007
Other Support Services	161,074	-	161,074
Total Support Services	<u>\$ 9,326,630</u>	<u>\$ -</u>	<u>\$ 9,326,630</u>
Debt Service:			
Interest	\$ 1,820	\$ -	\$ 1,820
Community Services	\$ 30,647	\$ -	\$ 30,647
Food Services	\$ -	\$ 699,988	\$ 699,988
Capital Improvements	\$ 244,669	\$ -	\$ 244,669
Total Expenditures	<u>\$ 21,689,931</u>	<u>\$ 699,988</u>	<u>\$ 22,389,919</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 418,897	\$ (89,242)	\$ 329,655
OTHER FINANCING SOURCES (USES):			
Operating Transfers In		89,242	89,242
Operating Transfers Out	(89,242)	-	(89,242)
NET CHANGE IN FUND BALANCES	<u>\$ 329,655</u>	<u>\$ -</u>	<u>\$ 329,655</u>
Beginning of Year	4,256,858	-	4,256,858
End of Year	<u>\$ 4,586,513</u>	<u>\$ -</u>	<u>\$ 4,586,513</u>

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

UNIVERSITY PREPARATORY ACADEMY
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, 2022

Net Change in Fund Balances - Governmental Funds \$ 329,655

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

Governmental Funds report Capital Outlays as expenditures; however, in the Statement of Activities, these costs are allocated over their estimated useful life as depreciation:

Capitalized Capital Outlay	180,592
Depreciation Expense	(468,867)
Principal Payments on Lease Liability	12,287

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	1,101
Change in Net Position - Governmental Activities	\$ 54,768

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

**UNIVERSITY PREPARATORY ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>			Variance Under/ (Over) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES:				
Local Sources	\$ 367,628	\$ 843,302	\$ 814,017	\$ 29,285
State Sources	17,476,242	17,484,426	17,372,860	111,566
Federal Sources	3,882,609	4,512,511	3,921,951	590,560
Total Revenues	<u>\$ 21,726,479</u>	<u>\$ 22,840,239</u>	<u>\$ 22,108,828</u>	<u>\$ 731,411</u>
EXPENDITURES:				
Instruction:				
Basic Programs	\$ 10,146,085	\$ 10,801,507	\$ 10,441,877	\$ 359,630
Added Needs	1,817,920	1,863,638	1,644,288	219,350
Total Instruction	<u>\$ 11,964,005</u>	<u>\$ 12,665,145</u>	<u>\$ 12,086,165</u>	<u>\$ 578,980</u>
Support Services:				
Instructional Support	\$ 1,676,122	\$ 1,502,729	\$ 1,449,426	\$ 53,303
Pupil Support	1,364,500	1,384,501	1,325,681	58,820
General Administration	1,214,143	1,254,217	1,225,088	29,129
School Administration	1,591,042	1,548,042	1,498,912	49,130
Business Service	481,112	459,512	436,529	22,983
Operations and Maintenance	1,881,450	2,144,649	2,101,492	43,157
Pupil Transportation	37,850	35,850	28,421	7,429
Central Support Services	858,910	1,090,416	1,100,007	(9,591)
Other Support Services	184,317	166,239	161,074	5,165
Total Support Services	<u>\$ 9,289,446</u>	<u>\$ 9,586,155</u>	<u>\$ 9,326,630</u>	<u>\$ 259,525</u>
Debt Service				
Interest	\$ -	\$ 1,821	\$ 1,820	\$ 1
Community Services	<u>\$ 43,504</u>	<u>\$ 41,976</u>	<u>\$ 30,647</u>	<u>\$ 11,329</u>
Capital Improvements	<u>\$ 339,000</u>	<u>\$ 267,405</u>	<u>\$ 244,669</u>	<u>\$ 22,736</u>
Total Expenditures	<u>\$ 21,635,955</u>	<u>\$ 22,562,502</u>	<u>\$ 21,689,931</u>	<u>\$ 872,571</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 90,524	\$ 277,737	\$ 418,897	\$ (141,160)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(183,219)	(129,605)	(89,242)	(40,363)
NET CHANGE IN FUND BALANCES	<u>\$ (92,695)</u>	<u>\$ 148,132</u>	<u>\$ 329,655</u>	<u>\$ (181,523)</u>
Beginning of Year	4,256,858	4,256,858	4,256,858	-
End of Year	<u>\$ 4,164,163</u>	<u>\$ 4,404,990</u>	<u>\$ 4,586,513</u>	<u>\$ (181,523)</u>

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

**UNIVERSITY PREPARATORY ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
SCHOOL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Under/(Over) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local Sources	\$ -	\$ -	\$ -	\$ -
State Sources	15,000	25,183	16,461	8,722
Federal Sources	644,000	537,094	594,285	(57,191)
Total Revenues	<u>\$ 659,000</u>	<u>\$ 562,277</u>	<u>\$ 610,746</u>	<u>\$ (48,469)</u>
EXPENDITURES:				
Food Services	\$ 842,219	\$ 691,882	\$ 699,988	\$ (8,106)
Total Expenditures	<u>\$ 842,219</u>	<u>\$ 691,882</u>	<u>\$ 699,988</u>	<u>\$ (8,106)</u>
Deficiency of Revenues over Expenditures	<u>\$ (183,219)</u>	<u>\$ (129,605)</u>	<u>\$ (89,242)</u>	<u>\$ (40,363)</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	\$ 183,219	\$ 129,605	\$ 89,242	\$ 40,363
Operating Transfers Out	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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 PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

(1) **ORGANIZATION**

University Preparatory Academy (“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 in July 2000.

On December 14, 2007, PSAD entered into a ten-year contract with Grand Valley State University. On February 2, 2019, 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, 2022 were \$471,170.

(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 expense of a given function or segment is 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, as are the fiduciary fund financial statements. 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 PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(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 funds:

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 Preparatory Academy are described as follows:

Cash and Cash Equivalents

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

UNIVERSITY PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(Continued)

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

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, 2022, no expenditures exceeded appropriations.

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 following useful lives:

Furniture and other equipment	3 – 10 years
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UNIVERSITY PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(Continued)

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

Leases

In June 2017, the GASB issued Statement No. 87, Leases. Under GASB 87, 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. This improves the relevancy and consistency of information. The Academy adopted GASB 87, which resulted in the recognition of right-of-use assets and lease liabilities. The Academy elected to recognize a cumulative-effect adjustment to the opening balance of net position in the period of adoption. The additional lease disclosures can be found in Note 9.

(3) **CASH AND CASH EQUIVALENTS**

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

Cash and Cash Equivalents	<u>\$ 2,024,082</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 \$2,120,630. Of this amount \$250,000 was covered by federal depository insurance and \$1,870,630 was uninsured and uncollateralized.

UNIVERSITY PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(Continued)

(5) **CAPITAL ASSETS**

A summary of capital assets is presented below:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>
Furniture and Other Equipment	\$ 3,133,491	\$ 180,592	\$ -	\$ 3,314,083
Right to Use Assets	1,089,970	-	-	1,089,970
	<u>4,223,461</u>	<u>180,592</u>	<u>-</u>	<u>4,404,053</u>
Less: Accumulated Depreciation/Amortization	<u>(2,489,410)</u>	<u>(468,867)</u>	<u>-</u>	<u>(2,958,277)</u>
Net Capital Assets	<u>\$ 1,734,051</u>	<u>\$ (288,275)</u>	<u>\$ -</u>	<u>\$ 1,445,776</u>

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

Due from other governmental units as of June 30, 2022 for the Academy's general fund and school service fund were as follows:

State of Michigan - State Aid	\$ 3,118,116
State of Michigan - Federal	631,296
Wayne RESA	<u>27,873</u>
Total	<u><u>\$ 3,777,285</u></u>

(7) **MANAGEMENT AGREEMENT**

For the year ended June 30, 2022, 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, 2022 was \$450,333.

UNIVERSITY PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(Continued)

(8) **COMMITMENTS AND COMMITTED FUND BALANCE**

The Academy subleases its buildings from PSAD, which is obligated under four operating leases for the two elementary, middle and high school facilities. Three leases require annual base rents of \$1 each, and expires on June 30, 2023, 2025 and 2028, respectively. The two elementary school leases expire June 30, 2023 and 2025. The high school lease expires on June 30, 2028. The middle school lease expires June 30, 2027. The minimum future lease requirements as follows. The adopted discount rate is 3%.

Year Ended June 30	Principal	Interest	Total Payments
2023	\$ 10,940	\$ 32,913	\$ 43,853
2024	148,963	29,499	178,462
2025	289,790	23,280	313,070
2026	298,593	14,477	313,070
2027	307,664	5,406	313,070
Total	\$ 1,055,950	\$ 105,575	\$ 1,161,525

Under the terms of the various lease agreements, the Academy is responsible for all required maintenance of the facility. At the start of each successive fiscal year for the five-year lease period, the escrow account must be increased by \$40,000. The escrow funds shall be available for major capital repairs at any of the Academy's buildings. In addition, the lease requires the Academy to meet certain performance standards including graduation rates, re-enrollment rates, average daily attendance rates, college enrollment rates and minimum test scores. The Academy has met its escrow requirement of \$260,000.

(9) **NET POSITION**

A prior period adjustment was made to recognize a cumulative-effect adjustment of \$414,255 to the opening balance of net position of adoption of GASB 87, restating net position at June 30, 2021 from \$5,336,927 to \$4,922,672.

UNIVERSITY PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(Continued)

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

At June 30, 2022, 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. The components are as follows:

	Deferred Inflow - Unavailable	Unearned
Grants and Categorical Aid Payments received prior to meeting all eligibility requirements	\$ 1,101	\$ 156,160

(11) **SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 25, 2022, 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.

(12) **COVID-19 PANDEMIC**

The COVID-19 Pandemic whose effects first became known in January 2020 is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The extent of the impact of COVID-19 on the Academy operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Academy's grantors, employees, and vendors all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Academy's financial position and changes in financial position is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.