

UNIVERSITY PREP ART AND DESIGN

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2023

UNIVERSITY PREP ART AND DESIGN
FINANCIAL STATEMENTS
JUNE 30, 2023

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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 Prep Art and Design, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise University Prep Art and Design'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 Prep Art and Design, as of June 30, 2023, 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 Prep Art and Design, 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 Prep Art and Design'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 Prep Art and Design'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 Prep Art and Design'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 2023 the Academy adopted new accounting guidance, GASBS No. 96, *Subscription-Based Information Technology Arrangements*. 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 24, 2023 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.

A handwritten signature in dark ink, appearing to read "Gregory Terrell & Company", with a large, stylized flourish underneath.

GEGORY TERRELL & COMPANY

Certified Public Accountants
Detroit, Michigan

October 24, 2023

UNIVERSITY PREP ART AND DESIGN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2023

This section of University Prep Art and Design annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2023. 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 the 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 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 ART AND DESIGN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2023
(Continued)

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, after-school programs 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 a reconciliation.

UNIVERSITY PREP ART AND DESIGN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2023
(Continued)

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, 2023 and 2022:

Table 1

	Governmental Activities	
	2023	2022
Assets		
Current and Other Assets	\$ 8,826,466	\$ 6,828,166
Capital Assets (net)	619,435	651,550
Total Assets	<u>\$ 9,445,901</u>	<u>\$ 7,479,716</u>
Liabilities		
Current and Other Liabilities	<u>\$ 1,701,212</u>	<u>\$ 1,131,585</u>
	<u>\$ 1,701,212</u>	<u>\$ 1,131,585</u>
Net Position		
Investment in Capital Assets	\$ 619,435	\$ 635,857
Unrestricted	<u>7,125,254</u>	<u>5,712,274</u>
Total Net Position	<u><u>\$ 7,744,689</u></u>	<u><u>\$ 6,348,131</u></u>

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 \$7,125,254 and \$5,712,274, at June 30, 2023 and 2022, respectively.

UNIVERSITY PREP ART AND DESIGN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2023
(Continued)

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 ended June 30, 2023 and 2022:

Table 2

	Governmental Activities	
	2023	2022
Revenue		
Program Revenue:		
Operating Grants	\$ 5,549,770	\$ 4,462,381
General Revenue:		
State Foundation Allowance	11,291,352	10,993,259
Total Revenue	<u>\$ 16,854,214</u>	<u>\$ 15,455,640</u>
Function/Program Expenditures		
Instruction	\$ 7,313,831	\$ 7,013,855
Support Services	7,021,967	6,797,035
Community Services	21,800	21,005
Capital Improvements	175,179	40,234
Food Services	539,623	360,186
Interest	227	1,076
Unallocated Depreciation	385,029	315,812
Total Expenditures	<u>\$ 15,457,656</u>	<u>\$ 14,549,203</u>
Increase (Decrease) in Net Position	<u><u>\$ 1,396,558</u></u>	<u><u>\$ 906,437</u></u>

As reported in the statement of activities, the cost of all governmental activities for the years ended June 30, 2023 and 2022 was \$15,457,656 and \$14,549,203, respectively. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions totaling \$5,549,770 and \$4,462,381, respectively. We paid for the remaining "public benefit" portion of our governmental activities with \$11,291,352 in fiscal 2023 and \$10,993,259 in fiscal 2022, in State foundation allowance, and with our other revenues.

UNIVERSITY PREP ART AND DESIGN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2023
(Continued)

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, 2023, the Academy had invested \$619,435 in furniture, leasehold improvements, and computer hardware. This represents a decrease of approximately \$32,115 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 2023-2024 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 2023-2024 fiscal year is 10 percent and 90 percent of the February 2023 and October 2023 student counts, respectively. The Academy has budgeted its enrollment at 1,290 students for the 2023-2024 school year-end which is an increase of 14 students from the 2022-2023 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 2023-2024 budget assuming a foundation allowance of \$9,608 per pupil. 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 Director of Business Operations, University Prep Art and Design, 485 W. Milwaukee St., Detroit, MI, 48202.

UNIVERSITY PREP ART AND DESIGN
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 5,808,103
Accounts Receivable	90
Due from Other Governmental Units	2,930,327
Prepaid Expenditures	87,946
Capital Assets, net	<u>619,435</u>
Total Assets	<u>\$ 9,445,901</u>
Liabilities	
Accounts Payable	\$ 553,256
Accrued Expenditures	668,844
Lease Liabilities	-
Unearned Revenue	<u>479,112</u>
Total Liabilities	<u>\$ 1,701,212</u>
Net Position	
Investment in Capital Assets	\$ 619,435
Unrestricted	<u>7,125,254</u>
Total Net Position	<u><u>\$ 7,744,689</u></u>

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

UNIVERSITY PREP ART AND DESIGN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		Governmental Activities Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services		
Governmental Activities:				
Instruction	\$ 7,313,831	\$ -	\$ 3,574,096	\$ (3,739,735)
Support Services	7,021,967	13,092	1,396,020	(5,612,855)
Community Services	21,800	-	6,512	(15,288)
Capital Improvements	175,179	-	-	(175,179)
Food Services	539,623	-	573,142	33,519
Debt Service Interest	227	-	-	(227)
Unallocated Depreciation	385,029	-	-	(385,029)
Total Governmental Activities:	<u>\$ 15,457,656</u>	<u>\$ 13,092</u>	<u>\$ 5,549,770</u>	<u>\$ (9,894,794)</u>
General Revenues:				
State of Michigan School Aid Unrestricted				<u>\$ 11,291,352</u>
Total General Revenues				<u>\$ 11,291,352</u>
Change in Net Position				\$ 1,396,558
Net Position - Beginning of Year				<u>6,348,131</u>
Net Position - End of Year				<u><u>\$ 7,744,689</u></u>

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

UNIVERSITY PREP ART AND DESIGN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 5,808,103	\$ -	\$ 5,808,103
Accounts Receivable	90	-	90
Due from Other Governmental Units	2,833,969	96,358	2,930,327
Prepaid Expenses	87,946	-	87,946
Due from Other Funds	71,450	-	71,450
Total Assets	\$ 8,801,558	\$ 96,358	\$ 8,826,466
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 553,256	\$ -	\$ 553,256
Accrued Expenditures	668,844	-	668,844
Unearned Revenue	479,112	-	479,112
Due to Other Funds	-	71,450	71,450
Total Liabilities	\$ 1,701,212	\$ 71,450	\$ 1,772,662
Fund Balances			
Non-spendable	\$ 87,946	\$ -	\$ 87,946
Unassigned	7,012,400	24,908	7,037,308
Total Fund Balances	\$ 7,100,346	\$ 24,908	\$ 7,125,254
Total Liabilities and Fund Balances	\$ 8,801,558	\$ 96,358	\$ 8,826,466
Total Governmental Fund Balances			\$ 7,125,254
Amounts reported for Governmental Activities in the Statement of Net Position are different because:			
The cost of the Capital Assets is		\$ 2,388,125	
Accumulated Depreciation is		(1,768,690)	619,435
Total Net Position of Governmental Activities			\$ 7,744,689

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

UNIVERSITY PREP ART AND DESIGN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Local Sources	\$ 487,032	\$ -	\$ 487,032
State Sources	12,598,399	5,390	12,603,789
Federal Sources	3,195,641	567,752	3,763,393
Total Revenues	<u>\$ 16,281,072</u>	<u>\$ 573,142</u>	<u>\$ 16,854,214</u>
EXPENDITURES:			
Current:			
Instruction:			
Basic Programs	\$ 6,089,871	\$ -	\$ 6,089,871
Added Needs	1,576,875	-	1,576,875
Total Instruction	<u>\$ 7,666,746</u>	<u>\$ -</u>	<u>\$ 7,666,746</u>
Support Services:			
Pupil Services	\$ 1,401,090	\$ -	\$ 1,401,090
Instructional Staff	1,237,418	-	1,237,418
General Administration	924,001	-	924,001
School Administration	980,038	-	980,038
Business Service	195,534	-	195,534
Operations and Maintenance	1,525,174	-	1,525,174
Transportation	32,677	-	32,677
Central Support Services	603,059	-	603,059
Other Support Services	138,895	-	138,895
Total Support Services	<u>\$ 7,037,886</u>	<u>\$ -</u>	<u>\$ 7,037,886</u>
Community Services	<u>\$ 21,800</u>	<u>\$ -</u>	<u>\$ 21,800</u>
Capital Improvements	<u>\$ 175,179</u>	<u>\$ -</u>	<u>\$ 175,179</u>
Food Services	<u>\$ -</u>	<u>\$ 539,623</u>	<u>\$ 539,623</u>
Total Expenditures	<u>\$ 14,901,611</u>	<u>\$ 539,623</u>	<u>\$ 15,441,234</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 1,379,461	\$ 33,519	\$ 1,412,980
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	33,519	-	33,519
Operating Transfers Out	-	(33,519)	(33,519)
NET CHANGE IN FUND BALANCES	<u>\$ 1,412,980</u>	<u>\$ -</u>	<u>\$ 1,412,980</u>
Beginning of Year	5,687,366	24,908	5,712,274
End of Year	<u>\$ 7,100,346</u>	<u>\$ 24,908</u>	<u>\$ 7,125,254</u>

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

UNIVERSITY PREP ART AND DESIGN
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, 2023

Net Change in Fund Balances - Governmental Funds	\$ 1,412,980
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

To record lease liability reduction	15,693
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Governmental funds report Capital Outlays as expenditures in the Statement of Activities.

These costs are allocated over their estimated useful lives as depreciation:

Capital Outlay	352,914
Depreciation Expense	<u>(385,029)</u>

Change in Net Position - Governmental Activities	<u><u>\$ 1,396,558</u></u>
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The accompanying notes are an integral part of this financial statement.

UNIVERSITY PREP ART AND DESIGN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	Under/(Over) Final Budget
REVENUES:				
Local Sources	\$ 59,025	\$ 474,247	\$ 487,032	\$ (12,785)
State Sources	12,737,959	12,584,410	12,598,399	(13,989)
Federal Sources	3,509,522	3,301,726	3,195,641	106,085
Total Revenues	<u>\$16,306,506</u>	<u>\$16,360,383</u>	<u>\$16,281,072</u>	<u>\$ 79,311</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic Programs	\$ 6,297,655	\$ 6,106,782	\$ 6,089,871	\$ 16,911
Added Needs	1,747,265	1,582,861	1,576,875	5,986
Total Instruction	<u>\$ 8,044,920</u>	<u>\$ 7,689,643</u>	<u>\$ 7,666,746</u>	<u>\$ 22,897</u>
Support Services:				
Pupil Services	\$ 1,786,715	\$ 1,475,335	\$ 1,401,090	\$ 74,245
Instructional Staff	1,387,190	1,306,889	1,237,418	69,471
General Administration	911,061	933,432	924,001	9,431
School Administration	991,314	983,289	980,038	3,251
Business Service	215,962	195,117	195,534	(417)
Operations and Maintenance	1,489,527	1,566,926	1,525,174	41,752
Transportation	33,250	34,314	32,677	1,637
Central Support Services	722,978	637,602	603,059	34,543
Other Support Services	137,383	143,980	138,895	5,085
Total Support Services	<u>\$ 7,675,380</u>	<u>\$ 7,276,884</u>	<u>\$ 7,037,886</u>	<u>\$ 238,998</u>
Community Services	<u>\$ 39,455</u>	<u>\$ 39,778</u>	<u>\$ 21,800</u>	<u>\$ 17,978</u>
Capital Improvements	<u>\$ 355,000</u>	<u>\$ 180,000</u>	<u>\$ 175,179</u>	<u>\$ 4,821</u>
Total Expenditures	<u>\$16,114,755</u>	<u>\$15,186,305</u>	<u>\$14,901,611</u>	<u>\$ 284,694</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 191,751</u>	<u>\$ 1,174,078</u>	<u>\$ 1,379,461</u>	<u>\$ (205,383)</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	<u>(74,141)</u>	<u>-</u>	<u>33,519</u>	<u>(33,519)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 117,610</u>	<u>\$ 1,174,078</u>	<u>\$ 1,412,980</u>	<u>\$ (238,902)</u>
Beginning of Year	<u>5,299,973</u>	<u>5,712,274</u>	<u>5,687,366</u>	<u>24,908</u>
End of Year	<u><u>\$ 5,417,583</u></u>	<u><u>\$ 6,886,352</u></u>	<u><u>\$ 7,100,346</u></u>	<u><u>\$ (213,994)</u></u>

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

UNIVERSITY PREP ART AND DESIGN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
SCHOOL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Under/(Over) Final Budget
REVENUES:				
Local Sources	\$ -	\$ -	\$ -	\$ -
State Sources	11,605	5,416	5,390	26
Federal Sources	518,862	550,989	567,752	(16,763)
Total Revenues	<u>\$ 530,467</u>	<u>\$ 556,405</u>	<u>\$ 573,142</u>	<u>\$ (16,737)</u>
EXPENDITURES:				
Food Services	<u>\$ 604,608</u>	<u>\$ 530,836</u>	<u>\$ 539,623</u>	<u>\$ (8,787)</u>
Total Expenditures	<u>\$ 604,608</u>	<u>\$ 530,836</u>	<u>\$ 539,623</u>	<u>\$ (8,787)</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (74,141)	\$ 25,569	\$ 33,519	\$ (7,950)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	<u>74,141</u>	<u>-</u>	<u>(33,519)</u>	<u>33,519</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ 25,569	\$ -	\$ 25,569
Beginning of Year	<u>-</u>	<u>24,908</u>	<u>24,908</u>	<u>-</u>
End of Year	<u><u>\$ -</u></u>	<u><u>\$ 50,477</u></u>	<u><u>\$ 24,908</u></u>	<u><u>\$ 25,569</u></u>

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

UNIVERSITY PREP ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(1) **ORGANIZATION**

University Prep Art and Design (“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, 2009.

On August 26, 2008, PSAD entered into a ten-year contract with Grand Valley State University. On April 26, 2019, PSAD signed another ten-year-contract with GVSU that expires on June 30, 2029. 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, 2023 were \$338,741.

(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 inter-fund activity has been eliminated from the Academy-wide financial statements.

UNIVERSITY PREP ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

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

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 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 funds:

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 Prep Art and Design (the "Academy") are described below:

UNIVERSITY PREP ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

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

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 statements 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, 2023, the following expenditures exceeded appropriations:

<u>General Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Business Service	\$ 195,117	\$ 195,534	\$ (417)
<u>School Service Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Food Services	\$ 530,836	\$ 539,623	\$ (8,787)

UNIVERSITY PREP ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

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

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
-------------------------------	------------

New Accounting Pronouncement

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. GASB 96 is effective for the fiscal year ended June 30, 2023, and requires a SBITA subscriber to recognize a subscription liability and an intangible right-to-use subscription asset. This improves the relevancy and consistency of information. The Academy adopted GASB 96 for the year ended June 30, 2023, which did not require any adjustments to the June 30, 2023 financial statements as the Academy did not have any SBITA, as defined under GASB 96.

(4) **CASH AND CASH EQUIVALENTS**

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

Cash and cash equivalents	<u>\$ 5,808,103</u>
---------------------------	---------------------

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 \$5,824,499. The amount not covered by federal depository insurance was \$5,574,499.

UNIVERSITY PREP ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

(5) **CAPITAL ASSETS**

A summary of capital assets is presented below:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2023</u>
Furniture and Other Equipment	\$1,870,392	\$ 352,914	\$ -	\$ 2,223,306
Right to Use Assets	164,819	-	-	164,819
	<u>\$2,035,211</u>	<u>\$ 352,914</u>	<u>\$ -</u>	<u>\$ 2,388,125</u>
Less: Accumulated Depreciation	<u>(1,383,661)</u>	<u>(385,029)</u>	<u>-</u>	<u>(1,768,690)</u>
Net Capital Assets	<u>\$ 651,550</u>	<u>\$ (32,115)</u>	<u>\$ -</u>	<u>\$ 619,435</u>

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

Due from other governmental units as of June 30, 2023 for the Academy's general fund was as follows:

State of Michigan - State Aid	\$ 2,332,269
State of Michigan - Federal Grants	579,882
Wayne RESA	<u>18,176</u>
Total	<u>\$ 2,930,327</u>

(7) **MANAGEMENT AND SERVICE AGREEMENTS**

For the year ended June 30, 2023, 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, 2023 was \$340,993.

UNIVERSITY PREP ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

(8) **COMMITMENTS**

The Academy subleases a building and parking space from PSAD which is obligated under three operating leases for the elementary, middle and high school facility. The leases require an annual base rent of \$12,002 (\$2 for the building, and \$12,000 for the parking space), and expires on June 30, 2029, June 30, 2023, and June 30, 2023, respectively.

The Academy adopted GASB 87, and used a discount rate of 3%, which resulted in the recognition of right-of-use assets and lease liabilities.

Under the terms of the lease agreements, the Academy is responsible for all required maintenance of the facilities. The leases require 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 agreed to establish a capital reserve fund for major capital repairs or replacements that shall contain at least \$40,000 at the start of the fourth lease year. At the start of each successive lease year, the capital reserve shall increase by \$40,000. The Academy has paid \$80,000 to PSAD as of June 30, 2023.

The Academy is also in a lease agreement with Xerox Financial Services LLC for 5 copiers that is payable over 60 monthly payments of \$980 each, beginning September 2017. The lease expense for the year ended June 30, 2023 was \$3,920.

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

At June 30, 2023, 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.

	<u>Deferred Inflow - Unavailable</u>	<u>Unearned</u>
Grants and Categorical Aid Payments received prior to meeting all eligibility requirements:	<u>\$ -</u>	<u>\$ 479,112</u>

(10) **SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 24, 2023, which is the date the financial statements were available to be issued. Events occurring that date have not been evaluated to determine whether a change in the financial statements would be required.

UNIVERSITY PREP ART AND DESIGN

SINGLE AUDIT

JUNE 30, 2023

UNIVERSITY PREP ART AND DESIGN
SINGLE AUDIT REPORT
JUNE 30, 2023

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**GREGORY
TERRELL
& COMPANY**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Public School Academies of Detroit

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of University Prep Art and Design (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 24, 2023.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances 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.

A handwritten signature in dark ink, appearing to read "Gregory Terrell & Company", with a large, stylized loop at the end.

GREGORY TERRELL & COMPANY

Certified Public Accountants
Detroit, Michigan

October 24, 2023



**GREGORY
TERRELL
& COMPANY**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Board of Directors
Public School Academies of Detroit

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited University Prep Art and Design's (the "Academy") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2023. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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.

Basis for Opinion on Each Major Federal Program

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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Academy's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Academy's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Academy's compliance with the requirements of each major federal program as a whole. In performing and audit in accordance with generally accepted auditing standards, Government Auditing Standards and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance identified during the audit.

Report on 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.

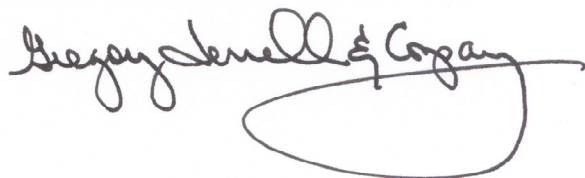
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 University Preparatory Academy as of and for the year ended June 30, 2023, and have issued our report thereon dated October 24, 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 and was derived from and relates directly to the underlying 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 auditing 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.

A handwritten signature in dark ink, appearing to read "Gregory Terrell & Company", with a large, stylized loop at the end.

GREGORY TERRELL & COMPANY
Certified Public Accountants
Detroit, Michigan

October 24, 2023

UNIVERSITY PREP ART AND DESIGN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at 7/1/2022	Federal Funds/ Payments In-kind Received	Current Year Expenditures	Accrued or (Deferred) Revenue at 6/30/23	Amounts Awarded to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE							
Passed through the Michigan Department of Education							
National School Lunch Program Bonus Commodities	10.555	\$ 32,561	\$ -	\$ 32,561	\$ 32,561	\$ -	\$ -
Seamless Summer Option (SSO) - Breakfast							
Project number - 221971	10.553	53,497	12,890	12,890	-	-	-
Project number - 221970	10.553	73,607	-	59,298	73,607	14,309	-
Total		127,103	12,890	72,188	73,607	14,309	-
Supply Chain Assistance Project number-220910	10.555	69,830	(26,802)	43,028	38,008	(31,822)	-
Seamless Summer Option (SSO) - Lunch Project number-221961	10.555	283,122	60,189	60,189	-	-	-
Seamless Summer Option (SSO) - Lunch Project number-221960	10.555	395,958	-	324,856	395,958	71,102	-
Total		748,910	33,387	428,073	433,966	39,280	-
Child Adult Care Food Program							
Project number - 221920	10.558	508	205	479	274	-	-
Project number - 222010	10.558	37	14	35	21	-	-
Project number - 231920	10.558	8,810	-	7,927	8,810	883	-
Project number - 232010	10.558	656	-	590	656	66	-
Total		10,011	219	9,031	9,761	949	-
Child Nutrition Discretionary Grants							
CNP Breakfast Expansion Grant Project number 221295	10.579	10,000	-	-	10,000	10,000	-
Pandemic PBC							
Project number - 210980	10.649	3,135	-	3,135	3,135	-	-
Summer School Food Service program							
Project number - 220900	10.559	4,724	-	4,724	4,724	-	-
Total U.S. Department of Agriculture		936,444	46,496	549,712	567,754	64,538	-

UNIVERSITY PREP ART AND DESIGN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023
(Continued)

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at 7/1/2022	Federal Funds/ Payments In-kind Received	Current Year Expenditures	Accrued or (Deferred) Revenue at 6/30/23	Amounts Awarded to Subrecipients
U.S. DEPARTMENT OF EDUCATION							
Passed through the Michigan Department of Education							
Title I, Part A-Improving Basic Programs Project number 221530-2122	84.010A	710,919	103,989	103,989	-	-	-
Title I, Part A-Improving Basic Programs Project number 231530-2223	84.010A	661,507	-	489,861	563,607	73,746	-
Total		1,372,426	103,989	593,850	563,607	73,746	-
Title II, Part A - Supporting Effective Instruction Project number 220520-2122	84.367A	95,471	11,613	11,613	-	-	-
Title II, Part A - Supporting Effective Instruction Project number 230520-2223	84.367A	69,650	-	66,139	66,139	-	-
Total		165,121	11,613	77,752	66,139	-	-
Title IV, Part A SSAE Project number 220750-2122	84.424A	67,347	30,618	30,618	-	-	-
Title IV, Part A SSAE Project number 230750-2122	84.424A	46,729	-	36,735	46,613	9,878	-
Total		114,076	30,618	67,353	46,613	9,878	-
ESSER - Education Equity Funds Project number 203720-1920	84.425D	90,378	-	-	9,480	9,480	-
ESSER II Formula Funds Project number 213712-2021	84.425D	1,951,004	343,236	670,096	385,656	58,796	-
ESSER III Project number 213713-2122	84.425U	4,384,796	-	1,391,448	1,722,972	331,524	-
Governor's Emergency Education Relief Funds Project number 201200-2021	84.425C	796	796	796	-	-	-
Passed through Wayne RESA							
Wayne County RESA IDEA 21-22	84.027A	-	17,269	17,269	-	-	-
Wayne County RESA IDEA 22-23	84.027A	334,428	-	334,428	334,428	-	-
Total		334,428	17,269	351,697	334,428	-	-
Total U.S. Department of Education		8,413,025	507,521	3,152,992	3,128,895	483,424	-
TOTAL FEDERAL AWARDS		\$ 9,349,469	\$ 554,017	\$ 3,702,704	\$ 3,696,649	\$ 547,962	\$ -

The accompanying notes are an integral part of this schedule.

UNIVERSITY PREP ART AND DESIGN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

(1) **SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial awards programs of the Academy and is presented on the same basis of accounting as the basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other agencies are included in the schedule. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

(2) **BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

(3) **GRANT SECTION AUDITOR'S REPORT**

The Academy utilized the CMS Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards.

(4) **MAJOR PROGRAMS**

Major programs were determined in accordance with the Uniform Guidance.

(5) **RECONCILIATION OF FEDERAL REVENUE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Federal Revenue - Financial Statements:	
General Fund	\$ 3,195,641
Non-Major Governmental Funds	567,752
Total Federal Revenue	<u>\$ 3,763,393</u>
Federal Expenditures - SEFA	\$ 3,696,649
E-Rate Revenue	76,224
Revenue not Recognized for ESSER Education Equity Funds	(9,480)
Total Federal Revenue Reported	<u>\$ 3,763,393</u>

(6) **INDIRECT COST**

The 10% de minimis indirect cost rate was not elected.

UNIVERSITY PREP ART AND DESIGN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

SECTION I: SUMMARY OF AUDITOR'S RESULTS

- (1) The auditors' report expresses an unmodified opinion on the financial statements of the Academy.
- (2) There were no significant deficiencies or material weaknesses disclosed during the audit of the financial statements.
- (3) No instances of noncompliance material to the financial statements of the Academy, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- (4) There were no significant deficiencies or material weaknesses in internal control over major federal award programs disclosed during the audit.
- (5) The auditors' report on compliance for the major federal award programs for the Academy expresses an unqualified opinion on all major federal programs.
- (6) There are no audit findings that are required to be reported in accordance with Uniform Guidance.
- (7) The programs tested as major programs were:

ESSER II Formula Funds	CFDA 84.425D
ESSER III Formula Funds	CFDA 84.425U
- (8) The threshold used for distinguishing between Type A and B programs was \$750,000.
- (9) The Academy did qualify as a low-risk auditee.

SECTION II: FINANCIAL STATEMENT FINDINGS

There are no financial statement findings for the year ended June 30, 2023.

SECTION III: FEDERAL AWARDS FINDINGS

There are no Federal Awards findings for the year ended June 30, 2023.

UNIVERSITY PREP ART AND DESIGN
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

I. SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questioned costs for the year ended June 30, 2022.



**GREGORY
TERRELL
& COMPANY**

October 24, 2023

To the Board of Directors
of the Public School Academies of Detroit

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of University Prep Art and Design (the "Academy") for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Governmental Auditing Standards and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 8, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in Note 3 to the financial statements. The Academy adopted the new GASB Statement No. 96, Subscription-Based Information Technology Arrangements during fiscal year 2023. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no significant estimates.

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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that 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 October 24, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

A handwritten signature in dark ink, appearing to read "Gregory Terrell & Company", with a large, stylized loop at the end.

GREGORY TERRELL & COMPANY
Certified Public Accountants
Detroit, Michigan

October 24, 2023



**GREGORY
TERRELL
& COMPANY**

October 24, 2023

To the Board of Directors
of the Public School Academies of Detroit

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of University Prep Art and Design (the "Academy") as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Academy's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given those 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.

This report is intended solely for the information and use of senior management, the Board of Directors, and others within the Academy and is not intended to be and should not be used by anyone other than these specified parties.

GREGORY TERRELL & COMPANY
Certified Public Accountants
Detroit, Michigan