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UNIVERSITY YES ACADEMY

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2016

UNIVERSITY YES ACADEMY
FINANCIAL STATEMENTS
JUNE 30, 2016

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**GREGORY
TERRELL
& COMPANY**

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
University Yes Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of University Yes Academy as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the University Yes Academy as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

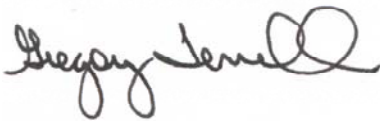
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–8 and 14–16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2016 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

November 1, 2016

UNIVERSITY YES ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2016

This section of University Yes Academy's annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2016. 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 Yes 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.

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 YES ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2016

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 reconciliation.

UNIVERSITY YES ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2016

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, 2016 and 2015 respectively:

Table 1

Statement of Net Position		
	Governmental Activities	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Assets		
Current and Other Assets	\$ 1,510,396	\$ 1,530,875
Capital Assets	5,019,596	5,242,305
Total Assets	\$ 6,529,992	\$ 6,773,180
Liabilities		
Current and Other Liabilities	\$ 6,200,465	\$ 6,261,012
Net Position		
Investment in Capital Assets	\$ (15,953)	\$ 4,444
Unrestricted	345,480	507,724
Total Net Position	\$ 329,527	\$ 512,168

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 \$387,710 and \$507,724 at June 30, 2016 and 2015. 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 YES ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2016

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, 2016 and 2015.

Table 2

Statement of Activities		
	Governmental Activities	
	June 30, 2016	June 30, 2015
Revenue		
Program Revenue:		
Operating Grants	\$ 825,173	\$ 1,404,315
General Revenue:		
State Foundation Allowance	7,211,366	6,492,167
Miscellaneous Revenue	134,744	237,002
Total Revenue	\$ 8,171,283	\$ 8,133,484
Functions/Program Expenditures		
Instruction	\$ 3,939,727	\$ 3,118,803
Support Services	4,144,549	3,813,852
Food Services	34,962	453,122
Community Services	4,083	4,100
Unallocated Depreciation	230,603	174,452
Total Expenditures	\$ 8,353,924	\$ 7,564,329
Change in Net Position	\$ (182,641)	\$ 569,155
Net Position - Beginning of Year	512,168	(56,987)
Net Position - End of Year	\$ 329,527	\$ 512,168

As reported in the Statement of Activities, the cost of all *governmental* activities for the year ended June 30, 2016 and 2015 were \$8.3 million and \$7.5 million, respectively. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions of \$815,766 in 2016 and \$1,404,315 in 2015. We paid for the remaining "public benefit" portion of our governmental activities with approximately \$7,211,366 in 2016 and \$6,492,167 in 2015 with State foundation allowance, and with our other revenues, i.e., interest and contributions.

UNIVERSITY YES ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2016

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 the required supplemental information section of these financial statements.

Capital Assets and Debt Administration

As of June 30, 2016, the Academy had invested \$5,019,596 in a building, building improvements and equipment. As a result of the building purchase, the Academy's long-term debt is \$5,035,549 at year end. We present more detailed information regarding our capital and debt information in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our school board and administration consider many factors when setting the Academy's 2016 – 2017 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 2016 – 2017 fiscal year is 10 percent and 90 percent of the February 2016 and October 2017 student counts, respectively. The Academy has a current enrollment of 900 students in the 2016 – 2017 fiscal year, which is an increase of 103 students from the 2015 – 2017 school year. The increase in students is due to increased enrollment in Kindergarten through 10th grades and the addition of the 11th grade. The 2016 – 2017 fiscal year will be the sixth year of operation for the Academy.

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

The 2017 budget has been prepared assuming the foundation allowance will be \$7,416 per pupil. The Academy continues to be diligent in its spending and monitors its budget closely.

During the 2012 – 2013 School Year University Yes Academy's middle school ranked in the bottom 5% of schools listed on the 2013 Top to Bottom (TTB) List. The TTB List is a performance ranking of schools based on achievement, improvement and within-school achievement gaps. University Yes Academy has been given the status of a priority school due to being placed in the bottom 5%. University Yes Academy joins the 2014 Cohort of Priority Schools, which means that University Yes Academy will be under the supervision of the State Reform Officer until the end of the 2016 – 2017 School Year. University Yes Academy implemented a successful Reform/Redesign Plan during the 2015 – 2017 School Year, and was not ranked in the bottom 5%. The State Reform Officer will provide support to University Yes Academy while the Reform/Redesign is implemented and constantly review University Yes Academy's progress during the next four fiscal years.

UNIVERSITY YES ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2016

Contacting the Academy's Management

This financial report is intended to provide our taxpayers, parents, and investors 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 Yes Academy, 14669 Curtis Drive, Detroit, MI, 48235.

UNIVERSITY YES ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2016

Assets

Cash and Cash Equivalents (Notes 3 and 4)	\$ 123,817
Accounts Receivable	1,000
Due from Other Governmental Units (Note 5)	1,384,742
Prepaid Expenses	837
Capital Assets, net (Note 7)	<u>5,019,596</u>
 Total Assets	 <u>\$ 6,529,992</u>

Liabilities

Accounts Payable	\$ 447,756
Accrued Expenditures	320,368
Loan Payable (Note 9)	396,792
Due in More than One Year Long Term Debt Payable (Note 8)	<u>5,035,549</u>
 Total Liabilities	 <u>\$ 6,200,465</u>

Net Position

Invested in Capital Assets (Net of Debt)	\$ (15,953)
Unrestricted	<u>345,480</u>
 Total Net Position	 <u>\$ 329,527</u>

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

UNIVERSITY YES ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Net (Expenses) Revenues and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
Governmental Activities:				
Instruction	\$ 3,939,727	\$ -	\$ 495,443	\$ (3,444,284)
Support Services	4,144,549	-	324,438	(3,820,111)
Community Services	4,083	-	-	(4,083)
Food Services	34,962	-	5,292	(29,670)
Unallocated Depreciation	<u>230,603</u>	<u>-</u>	<u>-</u>	<u>(230,603)</u>
Total Governmental Activities:	\$ <u>8,353,924</u>	\$ <u>-</u>	\$ <u>825,173</u>	\$ <u>(7,528,751)</u>
General Revenues:				
State of Michigan School Aid Unrestricted				\$ 7,211,366
Miscellaneous Revenue				<u>134,744</u>
Total General Revenues				\$ <u>7,346,110</u>
Change in Net Position				\$ (182,641)
Net Position , Beginning of Year				<u>512,168</u>
Net Position , End of Year				\$ <u>329,527</u>

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

UNIVERSITY YES ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Assets			
Cash and Cash Equivalents (Notes 3 and 4)	\$ 123,817	\$ -	\$ 123,817
Accounts Receivable	1,000	-	1,000
Prepaid Expenses	837	-	837
Due from Other Governmental Units (Note 5)	1,384,742	-	1,384,742
Due from Other Funds	-	33,563	33,563
Total Assets	\$ 1,510,396	\$ 33,563	\$ 1,543,959
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 447,756	\$ -	\$ 447,756
Accrued Expenditures	317,068	-	317,068
Loan Payable (Note 9)	396,792	-	396,792
Due to Other Funds	33,563	-	33,563
Due to Student Groups	3,300	-	3,300
Total Liabilities	\$ 1,198,479	\$ -	\$ 1,198,479
Deferred Inflow of Resources - Unavailable			
Revenue (Note 10)	\$ 46,410	\$ -	\$ 46,410
Fund Balances			
Non-Spendable	\$ 837	\$ -	\$ 837
Unassigned	264,670	33,563	298,233
Total Fund Balances	\$ 265,507	\$ 33,563	\$ 299,070
Total Liabilities and Fund Balances	\$ 1,510,396	\$ 33,563	\$ 1,543,959
Total Government Fund Balances			\$ 299,070
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 the Capital Assets is		5,668,206	
Accumulated Depreciation is		(648,610)	5,019,596
Long-term Liabilities are not due and payable in the current period and are not included in the Governmental Funds			
			(5,035,549)
Receivable are not available to pay current period expenditures and are therefore deferred in the Governmental Funds			
Unavailable Revenue			46,410
Total Net Position of Governmental Activities			\$ 329,527

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

UNIVERSITY YES ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Local Sources	\$ 134,744	\$ -	\$ 134,744
State Sources	7,211,366	5,292	7,216,658
Federal Sources	773,471	-	773,471
Total Revenues	<u>\$ 8,119,581</u>	<u>\$ 5,292</u>	<u>\$ 8,124,873</u>
EXPENDITURES:			
Instruction:			
Basic Programs	\$ 3,360,391	\$ -	\$ 3,360,391
Added Needs	579,336	-	579,336
Total Instruction	<u>\$ 3,939,727</u>	<u>\$ -</u>	<u>\$ 3,939,727</u>
Support Services:			
Pupil Services	\$ 840,737	\$ -	\$ 840,737
Instructional Staff	269,389	-	269,389
General Administration	445,912	-	445,912
School Administration	511,794	-	511,794
Business Service	808,757	-	808,757
Operations and Maintenance	560,245	-	560,245
Transportation	342,000	-	342,000
Central Support Services	343,661	-	343,661
Other Support Services	22,054	-	22,054
Total Support Services	<u>\$ 4,144,549</u>	<u>\$ -</u>	<u>\$ 4,144,549</u>
Debt Service	<u>\$ -</u>	<u>\$ 202,312</u>	<u>\$ 202,312</u>
Community Services	<u>\$ 4,083</u>	<u>\$ -</u>	<u>\$ 4,083</u>
Food Service	<u>\$ -</u>	<u>\$ 34,962</u>	<u>\$ 34,962</u>
Capital Outlay	<u>\$ 7,894</u>	<u>\$ -</u>	<u>\$ 7,894</u>
Total Expenditures	<u>\$ 8,096,253</u>	<u>\$ 237,274</u>	<u>\$ 8,333,527</u>
Excess (Deficiency) of Revenues over	\$ 23,328	\$ (231,982)	\$ (208,654)
OTHER FINANCING SOURCES (USES):			
Financing Sources	\$ -	\$ -	\$ -
Operating Transfers In (Out)	<u>(247,218)</u>	<u>247,218</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (223,890)</u>	<u>\$ 15,236</u>	<u>\$ (208,654)</u>
Beginning of Year	489,397	18,327	507,724
End of Year	<u>\$ 265,507</u>	<u>\$ 33,563</u>	<u>\$ 299,070</u>

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

UNIVERSITY YES 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, 2016

Net Change in Fund Balances - Governmental Funds \$ (208,654)

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

Governmental funds report Capital Outlay as Expenditures; however, in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation:

Capital Outlay	7,894
Depreciation Expense	(230,603)

Principal Payments on Long-term Liabilities are reported as expenditures in the Governmental Funds	202,312
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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 Unavailable Revenue	46,410
Prior Year Unavailable Revenue	-
	-

Change in Net Position - Governmental Activities \$ (182,641)

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

UNIVERSITY YES ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Under/(Over) Final Budget</u>
REVENUES:				
Local Sources	\$ 280,243	\$ 131,645	\$ 134,744	\$ (3,099)
State Sources	9,140,531	7,210,716	7,211,366	(650)
Federal Sources	1,141,801	848,885	773,471	75,414
Total Revenues	<u>\$ 10,562,575</u>	<u>\$ 8,191,246</u>	<u>\$ 8,119,581</u>	<u>\$ 71,665</u>
EXPENDITURES:				
Instruction:				
Basic Programs	\$ 3,557,638	\$ 3,307,108	\$ 3,360,391	\$ (53,283)
Added Needs	865,902	585,512	579,336	6,176
Total Instruction	<u>\$ 4,423,540</u>	<u>\$ 3,892,620</u>	<u>\$ 3,939,727</u>	<u>\$ (47,107)</u>
Support Services:				
Pupil Services	\$ 521,090	\$ 840,287	\$ 840,737	\$ (450)
Instructional Staff	594,150	248,019	269,389	(21,370)
General Administration	500,960	470,390	445,912	24,478
School Administration	974,672	505,876	511,794	(5,918)
Business Service	972,863	796,688	808,757	(12,069)
Operations and Maintenance	1,151,451	531,924	560,245	(28,321)
Transportation	26,719	312,211	342,000	(29,789)
Central Support Services	328,874	337,838	343,661	(5,823)
Other Support Services	58,313	22,081	22,054	27
Total Support Services	<u>\$ 5,129,092</u>	<u>\$ 4,065,314</u>	<u>\$ 4,144,549</u>	<u>\$ (79,235)</u>
Debt Service	\$ -	\$ 222,940	\$ -	\$ 222,940
Community Services	\$ 8,617	\$ 4,810	\$ 4,083	\$ 727
Capital Outlay	\$ -	\$ 25,315	\$ 7,894	\$ 17,421
Total Expenditures	<u>\$ 9,561,249</u>	<u>\$ 8,210,999</u>	<u>\$ 8,096,253</u>	<u>\$ 114,746</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 1,001,326	\$ (19,753)	\$ 23,328	\$ (43,081)
OTHER FINANCING SOURCES (USES):				
Financing Sources	\$ -	\$ -	\$ -	\$ -
Operating Transfers In (Out)	(389,971)	-	(247,218)	\$ 247,218
NET CHANGE IN FUND BALANCES	<u>\$ 611,355</u>	<u>\$ (19,753)</u>	<u>\$ (223,890)</u>	<u>\$ 204,137</u>
Beginning of Year	346,726	346,726	489,397	-
End of Year	<u>\$ 958,081</u>	<u>\$ 326,973</u>	<u>\$ 265,507</u>	<u>\$ 204,137</u>

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

UNIVERSITY YES ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
SCHOOL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>variance</u>
	<u>Original</u>	<u>Final</u>		<u>Under/(Over) Final Budget</u>
REVENUES:				
Local Sources	\$ -	\$ -	\$ -	\$ -
State Sources	7,000	15,898	5,292	10,606
Federal Sources	716,211	-	-	-
Total Revenues	<u>\$ 723,211</u>	<u>\$ 15,898</u>	<u>\$ 5,292</u>	<u>\$ 10,606</u>
EXPENDITURES:				
Operations and Maintenance	\$ -	\$ -	\$ -	\$ -
Food Services	723,211	34,225	34,962	(737)
Total Expenditures	<u>\$ 723,211</u>	<u>\$ 34,225</u>	<u>\$ 34,962</u>	<u>\$ (737)</u>
Excess (Deficiency) of Revenues over Expenditures	\$ -	\$ (18,327)	\$ (29,670)	\$ 11,343
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	\$ -	\$ -	\$ 44,906	\$ (44,906)
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ (18,327)</u>	<u>\$ 15,236</u>	<u>\$ (33,563)</u>
Beginning of Year	-	18,327	18,327	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,563</u>	<u>\$ (33,563)</u>

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

UNIVERSITY YES ACADEMY
FIDUCIARY FUND
STATEMENT OF FIDUCIARY FUND ASSETS AND LIABILITIES
JUNE 30, 2016

	<u>Student Activities - Agency Fund</u>
Assets - Due from the General Fund	\$ <u>3,300</u>
Liabilities - Due to Student Groups	\$ <u>3,300</u>

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

UNIVERSITY YES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(1) **ORGANIZATION**

University Yes Academy (“the Academy”) was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended in October 2009 and began operations in July 2010.

On June 1, 2010, the Academy entered into an eight-year contract with Bay Mills Community College. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the state constitution. Bay Mills Community College is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays Bay Mills Community College three percent (3%) of its state aid as administrative fees. The total administrative fees for the year ended June 30, 2016 were \$216,500.

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

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

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

Measurement focus, basis of accounting, and financial statement presentation

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

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

UNIVERSITY YES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(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; (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 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.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

(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 Yes Academy (the "Academy") are described below:

UNIVERSITY YES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

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

Cash and Cash Equivalents

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

Revenue Recognition

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

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 also adopted.

For the year end June 30, 2016, expenditures exceeded appropriations as follows:

<u>General Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Basic Programs	\$ 3,307,108	\$ 3,360,391	\$ (53,283)
Pupil Services	840,287	840,737	(450)
Instructional Staff	248,019	269,389	(21,370)
School Administration	505,876	511,794	(5,918)
Business Service	796,688	808,757	(12,069)
Operations and Maintenance	531,924	560,245	(28,321)
Transportation	312,211	342,000	(29,789)
Central Support Services	337,838	343,661	(5,823)
 School Service Fund			
Food Services	\$ 34,225	\$ 34,962	\$ (737)

UNIVERSITY YES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

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

Deferred Outflow and Inflow of Resources

Deferred Outflow of Resources are defined as the consumption or usage of net assets 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 are defined as the acquisition of net assets 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.

Capital Assets

Capital assets purchase or acquired are stated at historical cost. The Academy's capitalization policy is to capitalize individual 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 associated estimated lives.

(4) **CASH AND CASH EQUIVALENTS**

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

Cash and cash equivalents	<u>\$ 123,817</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 Academy's deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$174,163. This amount was covered by federal depository insurance.

UNIVERSITY YES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

(5) DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units as of June 30, 2016 for the Academy's general fund and school service fund were as follows:

State of Michigan - State Aid	\$	1,301,594
State of Michigan - Federal Grants		<u>83,148</u>
Total	\$	<u>1,384,742</u>

(6) MANAGEMENT COMPANY

For the year ended June 30, 2016, the Academy utilized a management company, InspirED Education ("InspirED"), a not-for-profit corporation. InspirED provides all Academy personnel, as well as all Academy management, compliance, human resources, bookkeeping, financial management, and curriculum services. InspirED is reimbursed for its direct costs as approved in the Academy's budget. Total management fees billed by InspirED for the year ended June 30, 2016 was \$216,000.

(7) CAPITAL ASSETS

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
Building	\$ 5,559,667	\$ -	\$ -	\$ 5,559,667
Building Improvements	36,090	7,894	-	43,984
Equipment	64,555	-	-	64,555
Less: Accumulated Depreciation	<u>(418,007)</u>	<u>(230,603)</u>	<u>-</u>	<u>(648,610)</u>
Net Capital Assets	<u>\$ 5,242,305</u>	<u>\$ (222,709)</u>	<u>\$ -</u>	<u>\$ 5,019,596</u>

(8) LONG-TERM LIABILITIES

In September 2013, the Academy entered into an agreement with the Wayne and Joan Webber Foundation ("Foundation") and New Urban Learning ("NUL") whereby the Academy would assume from NUL the balance of a loan of \$5.8 million payable to the Foundation and in exchange NUL would transfer certain related real property located at 14669 and 14717 Curtis Avenue, Detroit, Michigan, to the Academy. The note is due in 2017. The loan requires annual principal payments equal to five percent (5%) of the state aid foundation grant of the Academy. The loan is secured by the Academy's Middle and High School Building. The balance payable on the loan was \$5,035,549 at June 30, 2016.

UNIVERSITY YES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

(9) **LOANS PAYABLE**

In August 2015, the Academy entered into an agreement with the Michigan Finance Authority for a State Aid Note in the amount of \$2.15 million. The note is guaranteed by the Academy's State Aid payments and has an interest rate of 3.2 percent and is payable in eleven monthly principal and interest payments through August 2016. The balance of the note as of June 30, 2016 was \$396,792.

(10) **UNAVAILABLE/UNEARNED REVENUE**

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 at June 30, 2014 are as follows:

<u>Deferred Inflow - Unavailable</u>	<u>Unearned</u>
\$ 46,410	\$ -

(11) **SUBSEQUENT EVENTS**

The Academy acquired the services of New Paradigm for Education, a Michigan non-profit corporation, to provide all Academy personnel, as well as all Academy management, compliance, human resources, bookkeeping, financial management, and curriculum services starting on July 1, 2016. Management fee is set at 13% of the Academy's state aid.

On July 29, 2016, the Academy entered into an Agreement with the Michigan Finance Authority for a Note in the amount of approximately \$1 million. The Note is guaranteed by the Academy's State Aid Payments and has an interest rate of 3.75%. The Note requires eleven monthly payments of principal plus interest as follows:

<u>Date</u>	<u>Amount</u>
10/20/2016	\$ 92,315
11/20/2016	92,014
12/22/2016	91,743
1/20/2017	91,456
2/20/2017	91,170
3/20/2017	90,913
4/20/2017	90,631
5/20/2017	90,341
6/22/2017	90,080
7/20/2017	89,811
8/20/2017	89,527
Total Principal	\$ 1,000,000
Interest	21,620
Total Principal and Interest	<u>\$ 1,021,620</u>

UNIVERSITY YES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

(11) **SUBSEQUENT EVENTS** (cont'd)

Subsequent events have been evaluated through November 1, 2016 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.

RECEIVED

By brooksj3 at 8:10 am, Nov 02, 2016

UNIVERSITY YES ACADEMY

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2016

UNIVERSITY YES ACADEMY
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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**GREGORY
TERRELL
& COMPANY**

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

To the Board of Directors
University Yes Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of University Yes Academy's (the "Academy") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated November 1, 2016.

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 of 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.

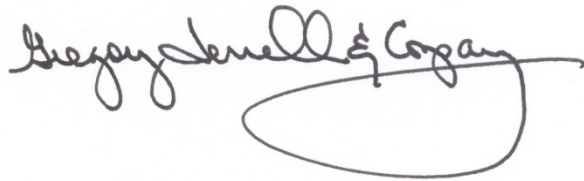
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 cursive script that reads "Gregory Terrell & Company". The signature is written in dark ink and includes a large, sweeping underline that loops back under the text.

GREGORY TERRELL & COMPANY
Certified Public Accountants

November 1, 2016



**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
University Yes Academy

Report on Compliance for Each Major Federal Program

We have audited University Yes Academy'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, 2016. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questions costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs base on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

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 feral programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major feral program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 to be significant deficiencies.


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

The Academy's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Academy's response was not subjected to the auditing procedures applied in our audit and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing or 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 Yes Academy as of and for the year ended June 30, 2016, and have issued our report thereon dated November 1, 2016, 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 black ink that reads "Gregory Terrell & Company". The signature is written in a cursive style and is positioned above a large, horizontal, oval-shaped flourish.

GREGORY TERRELL & COMPANY
Certified Public Accountants

November 1, 2016

UNIVERSITY YES ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2015	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued or (Deferred) Revenue at June 30, 2016
DEPARTMENT OF EDUCATION							
Passed through the Michigan Department of Education							
National School Breakfast Program							
	10.553						
		\$ 115,944	\$ (3,503)	\$ (3,503)	\$ -	\$ -	\$ -
		Project #141970					
		Project #151970	123,493	(6,365)	(6,365)	-	-
National School Lunch Program							
	10.555						
		Project #141960	38,694	2,405	2,405	-	-
		Project #151960	288,635	(7,984)	(7,984)	-	-
		Total	<u>\$ 566,766</u>	<u>\$ (15,447)</u>	<u>\$ (15,447)</u>	<u>\$ -</u>	<u>\$ -</u>
DEPARTMENT OF EDUCATION							
Passed through the Michigan Department of Education							
Office of Elementary and Secondary Education Program							
Title I, Part A - Grants to Local Educational Agencies							
	84.010A						
		\$ 630,413	\$ 62,925	\$ (151)	\$ 62,774	\$ -	\$ -
		Project #151530 14-15					
		Project #161530 15-16	621,226	-	490,668	580,649	89,981
		Total	<u>\$ 1,251,639</u>	<u>\$ 62,925</u>	<u>\$ 553,442</u>	<u>\$ 580,649</u>	<u>\$ 89,981</u>
Title II, Part A - Improving Teacher Quality State Grants							
	84.367A						
		\$ 68,568	\$ 13,225	\$ -	\$ 13,225	\$ -	\$ -
		Project #15020 14-15					
		Project #160520 15-16	113,709	-	24,409	17,576	(6,833)
		Total	<u>\$ 182,277</u>	<u>\$ 13,225</u>	<u>\$ 37,634</u>	<u>\$ 17,576</u>	<u>\$ (6,833)</u>
		Total Office of Elementary and Secondary Education Cluster	<u>\$ 1,433,916</u>	<u>\$ 76,150</u>	<u>\$ -</u>	<u>\$ 591,076</u>	<u>\$ 598,225</u>
DEPARTMENT OF EDUCATION							
Passed through the Michigan Department of Education							
Wayne County RESA IDEA Flow through-Special Education Grants to State							
IDEA Regular Flow through 150450 15-16							
		\$ 168,102	\$ -	\$ -	\$ 168,102	\$ 168,102	\$ -
		Total	<u>168,102</u>	<u>-</u>	<u>168,102</u>	<u>168,102</u>	<u>-</u>
TOTAL FEDERAL AWARDS		<u>\$ 2,168,784</u>	<u>\$ 60,703</u>	<u>\$ (15,447)</u>	<u>\$ 759,178</u>	<u>\$ 766,327</u>	<u>\$ 83,148</u>

The accompanying notes are an integral part of this schedule.

UNIVERSITY YES ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016

(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 Grants Section Auditors Report and 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 requirements of the Uniform Guidance.

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

Federal Sources Revenue	\$ <u>773,471</u>
Federal Expenditures - SEFA	\$ 766,327
E-Rate Revenue not reported on SEFA	53,705
Unavailable Revenue not reported in Federal Sources Revenue	(46,410)
Miscellaneous adjustment	<u>(151)</u>
	\$ <u>773,471</u>

UNIVERSITY YES ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

SECTION I: SUMMARY OF AUDITOR'S RESULTS

- (1) The auditor's 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 was a significant deficiency but no material weaknesses in internal control over major federal ward programs disclosed during the audit.
- (5) The auditor's report on compliance for the major federal award programs for the Academy expresses an unqualified opinion on all major federal programs.
- (6) There were audit finding that are required to be reported in accordance with Uniform Guidance.
- (7) The programs tested as major programs were:

Title I, Part A

CFDA 84.010A

- (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: SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings for the year ended June 30, 2016.

UNIVERSITY YES ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2016-001 **Program Name** – Title I, Part A

CFDA Number – 84.010A

Pass-through Entity – Michigan Department of Education (MDE)

Finding Type – Significant Deficiency and Compliance

Criteria – Title I, Part A grant requires that ten percent (10%) of the grant funds be reserved for Parent Involvement and at least 95% be expended for that purpose.

Condition – We noted that the Academy reserved the required ten percent (10%) of Title I, Part A grant funds for Parent Involvement but did not expend any funds for Parent Involvement for the 2015-2016 program year.

Questioned Costs – N/A

Cause/Effect – This appears to have been due to the termination of the Educational Service Provider's contract at June 30, 2016 and their intent to expend the funds prior to the end of the program year. Noncompliance could impact the Academy's eligibility to receive Federal grant dollars.

Recommendation – We recommend that the Academy monitor required spending and comply with all grant requirements.

View of Responsible Officials and Corrective Action Plan -

Management will ensure all funds allocated for parental involvement are expensed as required.

UNIVERSITY YES ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2016-002

Program Name – Title I, Part A

CFDA Number – 84.010A

Pass-through Entity – Michigan Department of Education (MDE)

Finding Type – Significant Deficiency Internal Control over Compliance

Criteria – The Uniform Guidance and the Michigan Department of Education require that written procedures be in place that address the following areas: (1) Cash Management (2) Allowability of Costs (3) Conflicts of Interest (4) Procurement (5) Method for Conducting Technical Evaluations and (5) Travel Reimbursements.

Condition – We noted that the Academy requested and received a waiver for complying with the Procurement requirements of the Uniform Guidance but no written procedures were provided that covered the required areas.

Questioned Costs – N/A

Cause/Effect – Lack of detailed knowledge regarding the Uniform Guidance and MDE requirements for the above referenced written procedures. Noncompliance could impact the Academy's eligibility to receive Federal grant dollars.

Recommendation – We recommend that the Academy develop written procedures that cover the Uniform Guidance and MDE requirements.

View of Responsible Officials and Corrective Action Plan -

Management will review the Uniform Guidance and MDE requirements and ensure there are written procedures in place as required.

UNIVERSITY YES ACADEMY
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

I. SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questioned costs for the year ended June 30, 2015.



**GREGORY
TERRELL
& COMPANY**

November 1, 2016

To the Board of Directors of
University YES Academy

In planning and performing our audit of the financial statements of University YES Academy (the "Academy") for the year ended June 30, 2016, 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 auditing procedures 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.

However, as discussed below, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated November 1, 2016, on the financial statements of the Academy.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various members of the Academy's management, and we will be pleased to discuss these matters in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Grants Management

The Academy did not draw down grant funds for Title I to cover total Title I expenditures for the year ended June 30, 2016 in a timely manner. Given that the funds were not drawn down within 60 days of year end (August 31, 2016), Title I revenue of \$46,410 was not recognized for the year ended June 30, 2016. This is not a loss of revenue as this Title I revenue will be recognized in the 2016-2017 fiscal year.

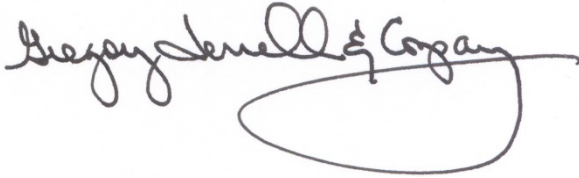
Early Warning Legislation

On July 7, 2015, Governor Snyder signed a bill into law that any Public School Academy or School District that has a fund balance below 5% of the general fund revenue at the end of their fiscal year will be affected by the provisions of the new law, which includes additional oversight from the Michigan Department of Treasury (MDT). This law will require the affected Academies or School Districts to send their budgetary assumptions to the MDT for review. Those reviews could result in MDT making recommendations for financial oversight of the affected Academies or School Districts.

At June 30, 2016, the Academy's General Fund balance was below 5% of the current year's general fund revenue. The Academy should develop a plan for increasing the General Fund balance to avoid additional State review and oversight.

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This report is intended solely for the information and use of 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.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in black ink and features a large, stylized loop at the end of the word "Company".

GREGORY TERRELL & COMPANY

Certified Public Accountants

November 1, 2016