

UNIVERSITY YES ACADEMY

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2017

UNIVERSITY YES ACADEMY
FINANCIAL STATEMENTS
JUNE 30, 2017

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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, 2017, 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, 2017, 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.

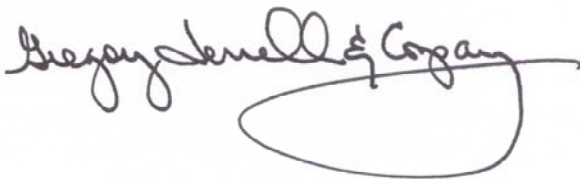
Other Matters

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 October 25, 2017 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". The signature is written in a cursive style and is positioned above a large, horizontal, oval-shaped flourish or underline.

GREGORY TERRELL & COMPANY
Certified Public Accountants

October 25, 2017

UNIVERSITY YES ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

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, 2017. 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, 2017

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 report.

UNIVERSITY YES ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

The Academy as a Whole

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, 2017 and 2016 respectively:

Table 1

Statement of Net Position		
	Governmental Activities	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Assets		
Current and Other Assets	\$ 2,045,300	\$ 1,510,396
Capital Assets, Net	4,788,993	5,019,596
Total Assets	\$ 6,834,293	\$ 6,529,992
Liabilities		
Current and Other Liabilities	\$ 5,759,914	\$ 6,200,465
Net Position		
Investment in Capital Assets	\$ (11,447)	\$ (15,953)
Unrestricted	1,085,826	345,480
Total Net Position	\$ 1,074,379	\$ 329,527

The Academy's unrestricted net position was \$1,085,826 and \$345,480 at June 30, 2017 and 2016. 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. The change in net position (see Table 2) of the Academy's governmental activities is discussed below.

UNIVERSITY YES ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

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, 2017 and 2016.

Table 2

Statement of Activities		
	Governmental Activities	
	June 30, 2017	June 30, 2016
Revenue		
Program Revenue:		
Operating Grants	\$ 559,043	\$ 825,173
General Revenue:		
State Foundation Allowance	5,177,247	7,211,366
Miscellaneous Revenue	16,578	134,744
Total Revenue	\$ 5,752,868	\$ 8,171,283
Functions/Program Expenditures		
Instruction	\$ 1,775,175	\$ 3,939,727
Support Services	2,990,231	4,144,549
Food Services	-	34,962
Community Services	12,007	4,083
Unallocated Depreciation	230,603	230,603
Total Expenditures	\$ 5,008,016	\$ 8,353,924
Change in Net Position	\$ 744,852	\$ (182,641)
Net Position - Beginning of Year	329,527	512,168
Net Position - End of Year	\$ 1,074,379	\$ 329,527

As reported in the Statement of Activities, the cost of all governmental activities for the year ended June 30, 2017 and 2016 were \$5 million and \$8.3 million, respectively. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions of \$559,043 in 2017 and \$825,173 in 2016. We paid for the remaining "public benefit" portion of our governmental activities with approximately \$5,177,247 in 2017 and \$7,211,366 in 2016 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, 2017

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, 2017, the Academy had invested \$4,788,993 in a building, building improvements and equipment. As a result of the building purchase, the Academy's long-term debt is \$4,800,440 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 2017 – 2018 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 2017 – 2018 fiscal year is 10 percent and 90 percent of the February 2017 and October 2017 student counts, respectively. The Academy has a current enrollment of 568 students in the 2017 – 2018 fiscal year, which is Kindergarten through 8th grade. 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 2017-2018 foundation allowance per pupil increased to \$7,631 from \$7,511 in 2016-2017. The Academy continues to be diligent in its spending and monitors its budget closely.

During the 2016 – 2017 school year, University YES Academy entered into a three year contract with New Paradigm for Education as its new management company. New Paradigm for Education manages the academic and financial affairs of University YES Academy.

UNIVERSITY YES ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

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, 2017

Assets

Cash and Cash Equivalents	\$ 570,918
Due from Other Governmental Units	1,474,382
Capital Assets, Net	<u>4,788,993</u>

Total Assets \$ 6,834,293

Liabilities

Accounts Payable	\$ 529,047
Due to Other Governmental Units	108,006
Accrued Expenditures	143,083
Loan Payable	179,338
Due in More than One Year Long-Term Debt Payable	<u>4,800,440</u>

Total Liabilities \$ 5,759,914

Net Position

Invested in Capital Assets (Net of Debt)	\$ (11,447)
Unrestricted	<u>1,085,826</u>

Total Net Position \$ 1,074,379

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

UNIVERSITY YES ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

<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	\$ 1,775,175	\$ -	\$ 273,931	\$ (1,501,244)
Support Services	2,990,231	-	279,522	(2,710,709)
Community Services	12,007	-	5,590	(6,417)
Food Services	-	-	-	-
Unallocated Depreciation	<u>230,603</u>	<u>-</u>	<u>-</u>	<u>(230,603)</u>
Total Governmental Activities:	\$ <u>5,008,016</u>	\$ <u>-</u>	\$ <u>559,043</u>	\$ <u>(4,448,973)</u>
General Revenues:				
State of Michigan School Aid Unrestricted				\$ 5,177,247
Miscellaneous Revenue				<u>16,578</u>
Total General Revenues				\$ <u>5,193,825</u>
Change in Net Position				\$ 744,852
Net Position , Beginning of Year				<u>329,527</u>
Net Position , End of Year				\$ <u>1,074,379</u>

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

UNIVERSITY YES ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Assets			
Cash and Cash Equivalents	\$ 570,918	\$ -	\$ 570,918
Due from Other Governmental Units	1,474,382	-	1,474,382
Total Assets	<u>\$ 2,045,300</u>	<u>\$ -</u>	<u>\$ 2,045,300</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 529,047	\$ -	\$ 529,047
Due to Other Governmental Units	108,006	-	108,006
Accrued Expenditures	139,783	-	139,783
Loan Payable	179,338	-	179,338
Due to Student Groups	3,300	-	3,300
Total Liabilities	<u>\$ 959,474</u>	<u>\$ -</u>	<u>\$ 959,474</u>
Deferred Inflow of Resources - Unavailable			
Revenue	<u>\$ 469,594</u>	<u>\$ -</u>	<u>\$ 469,594</u>
Fund Balances			
Unassigned	<u>\$ 616,232</u>	<u>\$ -</u>	<u>\$ 616,232</u>
Total Fund Balances	<u>\$ 616,232</u>	<u>\$ -</u>	<u>\$ 616,232</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 2,045,300</u>	<u>\$ -</u>	<u>\$ 2,045,300</u>
Total Government Fund Balances			\$ 616,232
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		<u>(879,213)</u>	4,788,993
Long-term Liabilities are not due and payable in the current period and are not included in the Governmental Funds			(4,800,440)
Receivable are not available to pay current period expenditures and are therefore deferred in the Governmental Funds			
Unavailable Revenue			<u>469,594</u>
Total Net Position of Governmental Activities			<u>\$ 1,074,379</u>

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, 2017

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Local Sources	\$ 16,578	\$ -	\$ 16,578
State Sources	5,182,539	-	5,182,539
Federal Sources	130,566	-	130,566
Total Revenues	<u>\$ 5,329,683</u>	<u>\$ -</u>	<u>\$ 5,329,683</u>
EXPENDITURES:			
Instruction:			
Basic Programs	\$ 1,405,645	\$ -	\$ 1,405,645
Added Needs	369,530	-	369,530
Total Instruction	<u>\$ 1,775,175</u>	<u>\$ -</u>	<u>\$ 1,775,175</u>
Support Services:			
Pupil Services	\$ 284,182	\$ -	\$ 284,182
Instructional Staff	338,134	-	338,134
General Administration	1,045,121	-	1,045,121
School Administration	373,579	-	373,579
Business Service	62,344	-	62,344
Operations and Maintenance	556,630	-	556,630
Transportation	204,550	-	204,550
Central Support Services	115,853	-	115,853
Other Support Services	9,838	-	9,838
Total Support Services	<u>\$ 2,990,231</u>	<u>\$ -</u>	<u>\$ 2,990,231</u>
Debt Service	<u>\$ -</u>	<u>\$ 235,109</u>	<u>\$ 235,109</u>
Community Services	<u>\$ 12,007</u>	<u>\$ -</u>	<u>\$ 12,007</u>
Food Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital Outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 4,777,413</u>	<u>\$ 235,109</u>	<u>\$ 5,012,522</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 552,270	\$ (235,109)	\$ 317,161
OTHER FINANCING SOURCES (USES):			
Financing Sources	-	-	-
Operating Transfers In (Out)	<u>(202,260)</u>	<u>202,260</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ 350,010</u>	<u>\$ (32,849)</u>	<u>\$ 317,161</u>
Beginning of Year	266,222	32,849	299,071
End of Year	<u>\$ 616,232</u>	<u>\$ -</u>	<u>\$ 616,232</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, 2017

Net Change in Fund Balances - Governmental Funds \$ 317,161

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	-
Depreciation Expense	(230,603)

Principal Payments on Long-term Liabilities are reported as expenditures in the Governmental Funds	235,109
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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	469,594
Prior Year Unavailable Revenue	(46,409)
	423,185

Change in Net Position - Governmental Activities \$ 744,852

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Under/(Over)</u> <u>Final Budget</u>
REVENUES:				
Local Sources	\$ -	\$ 15,758	\$ 16,578	\$ (820)
State Sources	7,359,547	5,182,540	5,182,539	1
Federal Sources	933,048	944,588	130,566	814,022
Total Revenues	<u>\$ 8,292,595</u>	<u>\$ 6,142,886</u>	<u>\$ 5,329,683</u>	<u>\$ 813,203</u>
EXPENDITURES:				
Instruction:				
Basic Programs	\$ 3,295,649	\$ 1,756,476	\$ 1,405,645	\$ 350,831
Added Needs	706,477	533,187	369,530	163,657
Total Instruction	<u>\$ 4,002,126</u>	<u>\$ 2,289,663</u>	<u>\$ 1,775,175</u>	<u>\$ 514,488</u>
Support Services:				
Pupil Services	\$ 572,594	\$ 563,404	\$ 284,182	\$ 279,222
Instructional Staff	407,261	448,113	338,134	109,979
General Administration	355,505	1,010,167	1,045,121	(34,954)
School Administration	544,710	415,024	373,579	41,445
Business Service	778,619	96,039	62,344	33,695
Operations and Maintenance	509,270	615,528	556,630	58,898
Transportation	313,020	201,600	204,550	(2,950)
Central Support Services	371,852	124,146	115,853	8,293
Other Support Services	20,075	10,000	9,838	162
Total Support Services	<u>\$ 3,872,906</u>	<u>\$ 3,484,021</u>	<u>\$ 2,990,231</u>	<u>\$ 493,790</u>
Debt Service	\$ -	\$ -	\$ -	\$ -
Community Services	\$ 10,820	\$ 12,175	\$ 12,007	\$ 168
Capital Outlay	\$ -	\$ -	\$ -	\$ -
Total Expenditures	<u>\$ 7,885,852</u>	<u>\$ 5,785,859</u>	<u>\$ 4,777,413</u>	<u>\$ 1,008,446</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 406,743	\$ 357,027	\$ 552,270	\$ (195,243)
OTHER FINANCING SOURCES (USES):				
Financing Sources	-	-	-	-
Operating Transfers In (Out)	(231,575)	(301,024)	(202,260)	\$ (98,764)
NET CHANGE IN FUND BALANCES	<u>\$ 175,168</u>	<u>\$ 56,003</u>	<u>\$ 350,010</u>	<u>\$ (294,007)</u>
Beginning of Year	469,644	266,222	266,222	-
End of Year	<u>\$ 644,812</u>	<u>\$ 322,225</u>	<u>\$ 616,232</u>	<u>\$ (294,007)</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, 2017

	<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	-	-	-	-
Federal Sources	-	-	-	-
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES:				
Operations and Maintenance	\$ -	\$ -	\$ -	\$ -
Food Services	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues over Expenditures	\$ -	\$ -	\$ -	\$ -
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (32,849)</u>	<u>\$ 32,849</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (32,849)</u>	<u>\$ 32,849</u>
Beginning of Year	<u>-</u>	<u>-</u>	<u>32,849</u>	<u>(32,849)</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2017

	<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, 2017

(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, 2017 were \$159,574.

(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, 2017
(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, 2017
(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, 2017, expenditures exceeded appropriations as follows:

<u>General Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Administration	\$ 1,010,167	\$ 1,045,121	\$ (34,954)
Transportation	201,600	204,550	(2,950)

UNIVERSITY YES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(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 purchased 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>\$ 570,918</u>
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State law authorizes the Academy to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or trustees is secured in accordance with the requirements of the agency or trust agreement.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned by the bank. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories. The 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 \$723,139 of this amount \$473,139 was not covered by federal depository insurance.

UNIVERSITY YES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

(5) DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units as of June 30, 2017 for the Academy's general fund and school service fund were as follows:

State of Michigan - State Aid	\$	953,028
Wayne RESA - Federal Grants		51,760
State of Michigan - Federal Grants		<u>469,594</u>
Total	\$	<u>1,474,382</u>

(6) MANAGEMENT COMPANY

For the year ended June 30, 2017, the Academy utilized a management company, New Paradigm for Education, a not-for-profit corporation. New Paradigm for Education provides all Academy personnel, as well as all Academy management, compliance, human resources, bookkeeping, financial management, and curriculum services. New Paradigm for Education is reimbursed for its direct costs as approved in the Academy's budget. Total management fees billed by New Paradigm for Education for the year ended June 30, 2017 was \$611,284.

(7) CAPITAL ASSETS

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>
Building	\$ 5,559,667	\$ -	\$ -	\$ 5,559,667
Building Improvements	43,984	-	-	43,984
Equipment	64,555	-	-	64,555
Less: Accumulated Depreciation	<u>(648,610)</u>	<u>(230,603)</u>	<u>-</u>	<u>(879,213)</u>
Net Capital Assets	<u>\$ 5,019,596</u>	<u>\$ (230,603)</u>	<u>\$ -</u>	<u>\$ 4,788,993</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 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 at June 30, 2017 is as follows (See Note 13):

Long-Term Portion	\$	4,800,440
Balance Currently Due and Payable		<u>307,776</u>
Total	\$	<u>5,108,216</u>

UNIVERSITY YES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

(9) **LOANS PAYABLE**

In July 2016, the Academy entered into an agreement with the Michigan Finance Authority for a State Aid Note in the amount of \$1 million. The note is guaranteed by the Academy's State Aid payments and has an interest rate of 3.75 percent and is payable in eleven monthly principal and interest payments through August 2017. The balance of the note as of June 30, 2017 was \$179,338.

(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, 2017 are as follows:

<u>Deferred Inflow - Unavailable</u>	<u>Unearned</u>
\$ 469,594	\$ -

(11) **RELATED PARTY TRANSACTIONS**

During the fiscal year, the Academy utilized the services of the law firm that employs the Chair of the Academy's Board of Directors. The law firm was paid \$6,397 for the year ended June 30, 2017.

(12) **SINGLE AUDIT**

The Code of Federal Regulations Subtitle A, Chapter II, Part 200, Subpart F, Title 2: Grants and Agreements Part 200.501 (d) states that a non-Federal entity that expends less than \$750,000 in federal funds is exempt from federal audit requirements, unless required by the terms of the award. The Academy's Schedule of Expenditures of Federal Awards reported \$637,604 for the year ended June 30, 2017. As the Academy's expenditures of federal awards were less than \$750,000 a Single Audit was not required.

UNIVERSITY YES ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

(13) **SUBSEQUENT EVENTS**

In May 2017, the Wayne and Joan Webber Foundation began foreclosure proceedings on the school facilities under mortgage with the Academy. The property redemption period ends November 18, 2017. The Joan and Webber Foundation, has agreed to enter into a lease agreement with the Academy for the property located at 14669 and 14717 Curtis Avenue in Detroit, Michigan. The lease is subject to approval by the Wayne and Joan Webber Foundation, the Academy and the Academy's authorizer.

Subsequent events have been evaluated through October 25, 2017, 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.



**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
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 (the "Academy"), as of and for the year ended June 30, 2017, 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 25, 2017.

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.

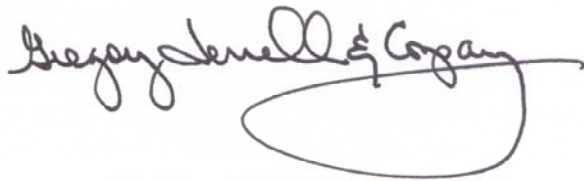
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

October 25, 2017



**GREGORY
TERRELL
& COMPANY**

October 25, 2017

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, 2017, 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 October 25, 2017, 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 request grant funds to cover Federal grant expenditures for the year ended June 30, 2017 in a timely manner. Given that the funds were not drawn down within 60 days of year end (August 31, 2017), Federal grant revenue of \$469,594 was not recognized for the year ended June 30, 2017. This is not a loss of revenue as this Federal grant revenue will be recognized in the 2017-2018 fiscal year.

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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".

GREGORY TERRELL & COMPANY

Certified Public Accountants

*Repeat Finding