

Audited Financial Statements

Old Redford Academy

Detroit , Michigan

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
of Old Redford Academy**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Old Redford Academy as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Old Redford 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 Old Redford Academy, as of June 30, 2020, 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 as identified in the table of contents 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Old Redford Academy's basic financial statements. The combining and individual nonmajor fund financial statements, and schedules of revenues and expenditures, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedules of revenues and expenditures, and the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedules of revenues and expenditures, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020, on our consideration of Old Redford 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 solely 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 the effectiveness of Old Redford Academy's 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 Old Redford Academy's internal control over financial reporting and compliance.


Croskey Lanni, PC

Rochester, Michigan
December 28, 2020

Old Redford Academy, PSA
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

Our discussion and analysis of Old Redford Academy’s (“ORA”) financial performance provides an overview of the Academy’s financial activities for the fiscal year ended June 30, 2020.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

Old Redford Academy’s *net position* – the difference between assets and liabilities, as reported in the Statement of Net Position, is 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, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the Academy’s *operating results*. However, the Academy’s goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as enrollment, the quality of the education provided, and the safety of the school must also be considered when assessing the *overall health* of the Academy.

Old Redford Academy’s net position totaled \$5,441,695 at June 30, 2020. Of this amount, \$4,867,750 was unrestricted and undesignated. Restricted net position is reported separately to show legal constraints from debt covenants and legislation that limits the Academy’s ability to use those funds for day-to-day operations. The following table is a comparable summary of the Academy’s net position at June 30, 2020 and June 30, 2019, respectively:

	June 30, 2020	June 30, 2019
Assets		
Current assets	7,458,873	\$ 6,689,288
Capital assets, net of depreciation	73,580	103,267
Total assets	7,532,453	6,792,555
Liabilities		
Current liabilities	2,090,758	2,034,419
Net Position		
Invested in capital assets	73,580	103,267
Restricted	500,365	591,271
Unrestricted	4,867,750	4,063,598
Total net position	\$ 5,441,695	\$ 4,758,136

The \$4,867,750 in unrestricted net position of governmental activities represents ORA funds that have not been committed contractually or for debt obligations and are available for future use.

Total net position increased by approximately \$683,559 in 2019-2020.

Overall, management focused on monitoring and managing the financial resources of the Academy in order to support the growth of the school while continuing to provide a solid educational alternative for all students. Expenditures across all categories were closely monitored on a monthly basis to preserve the covenants and other financial requirements.

The results of this year’s operations for Old Redford Academy as a whole are reported in the Statement of Activities. A summary of the Academy-wide results of operations for the years ended June 30, 2020 and June 30, 2019 are as follows:

Old Redford Academy, PSA
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
General Revenue		
State school aid - unrestricted	\$ 12,173,855	\$ 13,749,370
Other - federal, state and local	<u>40,066</u>	<u>56,558</u>
Total general revenue	<u>12,213,921</u>	<u>13,805,928</u>
Program Revenue		
Charges for services - local	-	9,566
Operating grants and contributions	<u>3,065,223</u>	<u>3,923,752</u>
Total program revenue	<u>3,065,223</u>	<u>3,933,318</u>
Total revenue	<u>15,279,144</u>	<u>17,739,246</u>
Expenses		
Instruction	5,039,740	5,828,131
Support services	8,618,591	10,301,003
Food services	847,362	983,831
Community Services	60,205	52,340
Unallocated Depreciation	<u>29,687</u>	<u>-</u>
Total expenses	<u>14,595,585</u>	<u>17,165,305</u>
Change in net position	683,559	573,941
Net position - July 1	<u>4,758,136</u>	<u>4,184,195</u>
Net position - June 30	<u>\$ 5,441,695</u>	<u>\$ 4,758,136</u>

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

Our financial statements provide the following insights about the results of this year's operations:

The Academy student enrollment decreased during the 2019-20 school year. The Academy has developed an aggressive student recruitment plan to increase student enrollment in future years.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

Old Redford Academy's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments and resultant staffing requirements are known. Currently, the most significant budgeted funds are the General Fund and the Special Revenue Funds. During the fiscal year ending June 30, 2020, the Academy amended the budgets of these major governmental funds. Each amendment reflected a change in revenues and/or expenditures.

**Old Redford Academy, PSA
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

General Fund

In the General Fund, revenues for the year totaled \$14,839,081. This is almost exactly the same as the final amended budgeted amount of \$14,548,028; a variance of approximately 2%. The actual expenditures of the general fund were \$13,718,536. This amount is below the final amended budgeted amount of \$14,994,805.

Fund balance increased by \$1,120,545 at June 30, 2020. The ending fund balance for the fiscal year ended June 30, 2020 is \$4,857,966.

GOVERNMENTAL FUND EXPENDITURES

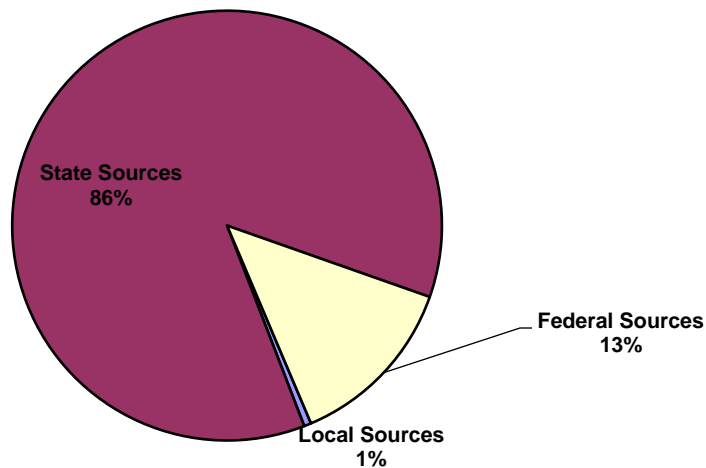
The general fund comprises 94% of all the expenditures within the governmental funds of Old Redford Academy. As of June 30, 2020, expenditures totaled \$14,565,898 for all Academy programs.

	June 30, 2020	Of Total
General Fund	\$ 13.70	94%
Other Non-major Funds	0.80	6%
Total	\$ 14.50	

TOTAL REVENUES

Revenues for all governmental funds totaled \$15,595,537. The following graph illustrates the percentage of revenues by source:

Revenues by Source



Unrestricted State Aid

The Academy's operating costs are predominately funded by State Aid based on a per-pupil allowance. The per-pupil allowance was \$8,111. State Aid membership was computed in 2019-20 school year with a blended count of 10% of the February 2020 and 90% of the October 2020 counts.

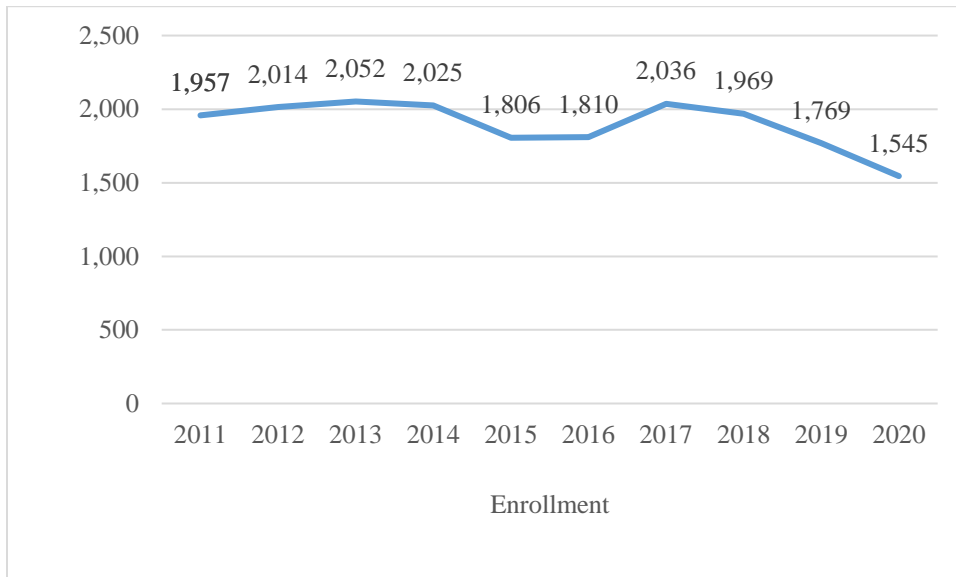
Old Redford Academy, PSA Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

ENROLLMENT

The Academy's 2019-20 State Aid Membership totaled 1,543.28 students.

The Academy is located in Northwest Detroit, which is a lower socio-economic area that has a great need for improved educational alternatives. Old Redford Academy added a facility in 2003 to accommodate the demand for a premier educational program and philosophy. The academic success of the Academy and community need lead to the expansion of a high school level in 2004. Old Redford Academy has continued its tradition of excellence with the purchase and renovation of the current high school site. In the fall of 2009, Old Redford Academy expanded the high school site with the construction of the 9th Grade Academy and more recently completed a new middle school facility in the fall of 2011.

State Aid membership over the last ten years can be illustrated as follows:



Enrollment is important to the financial health of the Academy because State funding is based on a per-pupil formula.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the Academy had \$1,114,889 invested in furniture and equipment. Of this amount, \$1,041,309 has been depreciated. Net book value totals \$73,580. The Academy remains committed to the timely maintenance and repair of all educational facilities.

**Old Redford Academy, PSA
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Debt

As of June 30, 2020, the Academy did not have any long-term debt.

CONTACTING THE SCHOOL ACADEMY'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of Old Redford Academy. If you should desire additional detailed financial program audits, they can be obtained by contacting the following persons:

Carmella Lewis at 313-367-9565

OLD REDFORD ACADEMY

STATEMENT OF NET POSITION

JUNE 30, 2020

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 4,043,441
Accounts receivable	215,364
Due from other governmental units	3,193,383
Prepaid expenses	2,087
Inventory	4,598
	<hr/>
Total current assets	7,458,873

Capital Assets - Net of Accumulated Depreciation

73,580

Total assets and deferred outflows

\$ 7,532,453

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$ 627,683
Notes payable	167,231
Other accrued expenses	1,295,844
	<hr/>
Total current liabilities	2,090,758

Net Position

Net investment in capital assets	73,580
Restricted for food service	500,365
Unrestricted	4,867,750
	<hr/>
Total net position	5,441,695
	<hr/>
Total liabilities, deferred inflows and net position	<u>\$ 7,532,453</u>

See accompanying notes to financial statements

OLD REDFORD ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenues		Net (Expense) Revenues and Changes in Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 4,137,757	\$ -	\$ 1,366,252	\$ (2,771,505)
Added needs	901,983	-	554,736	(347,247)
Support services				
Pupil support services	730,338	-	346,062	(384,276)
Instructional staff support services	655,795	-	41,717	(614,078)
General administration	808,589	-	-	(808,589)
School administration	977,868	-	-	(977,868)
Business support services	354,895	-	-	(354,895)
Operations and maintenance	4,130,082	-	-	(4,130,082)
Pupil transportation services	251,375	-	-	(251,375)
Central support services	639,002	-	-	(639,002)
Athletic activities	70,647	-	-	(70,647)
Food services	847,362	-	756,456	(90,906)
Community services	60,205	-	-	(60,205)
Unallocated depreciation	29,687	-	-	(29,687)
Total primary government	\$ 14,595,585	\$ -	\$ 3,065,223	(11,530,362)
General Purpose Revenues				
State school aid - unrestricted				12,173,855
Miscellaneous revenues				40,066
Total general purpose revenues				12,213,921
Change in net position				683,559
Net position - July 1, 2019				4,758,136
Net position - June 30, 2020				\$ 5,441,695

See accompanying notes to financial statements

OLD REDFORD ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2020

ASSETS

	General	Special Revenue	Total
Cash and cash equivalents	\$ 4,043,441	\$ -	\$ 4,043,441
Accounts receivable	215,364	-	215,364
Due from other governmental units	3,161,603	31,780	3,193,383
Due from other funds	-	470,707	470,707
Inventory	-	4,598	4,598
Prepaid expenses	2,087	-	2,087
	\$ 7,422,495	\$ 507,085	\$ 7,929,580

LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE

Liabilities

Accounts payable	\$ 620,963	\$ 6,720	\$ 627,683
Notes payable	167,231	-	167,231
Due to other funds	470,707	-	470,707
Other accrued expenses	1,295,844	-	1,295,844
	2,554,745	6,720	2,561,465

Deferred Inflows of Resources

Unavailable revenue	9,784	-	9,784
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Fund Balance

Nonspendable	2,087	4,598	6,685
Restricted	-	495,767	495,767
Assigned	18,140	-	18,140
Unassigned	4,837,739	-	4,837,739
	4,857,966	500,365	5,358,331
Total liabilities and fund balance	\$ 7,422,495	\$ 507,085	\$ 7,929,580

See accompanying notes to financial statements

OLD REDFORD ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Total Governmental Fund Balances	\$ 5,358,331
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$1,114,889 and the accumulated depreciation is \$1,041,309.	73,580
Deferred inflows of resources (unavailable revenue) not available to benefit the current period and are not reported in the statement of net position.	<u>9,784</u>
Net Position of Governmental Activities	<u>\$ 5,441,695</u>

See accompanying notes to financial statements

OLD REDFORD ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2020

	General	Special Revenue	Total
Revenues			
Local sources	\$ 40,066	\$ -	\$ 40,066
State sources	13,528,950	30,941	13,559,891
Federal sources	1,270,065	725,515	1,995,580
Total governmental fund revenues	14,839,081	756,456	15,595,537
Expenditures			
Instruction			
Basic programs	4,137,757	-	4,137,757
Added needs	901,983	-	901,983
Support services			
Pupil support services	730,338	-	730,338
Instructional staff support services	655,795	-	655,795
General administration	808,589	-	808,589
School administration	977,868	-	977,868
Business support services	354,895	-	354,895
Operations and maintenance	4,130,082	-	4,130,082
Pupil transportation services	251,375	-	251,375
Central support services	639,002	-	639,002
Athletic activities	70,647	-	70,647
Food services	-	847,362	847,362
Community services	60,205	-	60,205
Total governmental fund expenditures	13,718,536	847,362	14,565,898
Excess (deficiency) of revenues over expenditures	1,120,545	(90,906)	1,029,639
Fund balance - July 1, 2019	3,737,421	591,271	4,328,692
Fund balance - June 30, 2020	\$ 4,857,966	\$ 500,365	\$ 5,358,331

See accompanying notes to financial statements

OLD REDFORD ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 1,029,639
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period

Depreciation and amortization expense	(29,687)
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Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days of year end	<u>(316,393)</u>
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Change in Net Position of Governmental Activities	<u>\$ 683,559</u>
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OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Old Redford Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Old Redford Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, and began operation in July 1999.

The Academy entered into a one-year extension agreement with Central Michigan University's Board of Trustees to reauthorize a public school academy. 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. The University's Board of Trustees 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 Central Michigan University's Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2020 were approximately \$362,800.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Basis of Presentation – Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Fund - The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

Debt Service Fund - The debt service fund, which the Academy does not currently maintain, is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Fiduciary Fund - The fiduciary fund, which the Academy does not currently maintain, is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. 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 sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Government-Wide Financial Statements

The government-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 primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government-wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position's use is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held no investments during the year ended June 30, 2020. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

Receivables at June 30, 2020 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2020 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position

Net position represents the difference between assets, deferred outflows and liabilities, and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases* which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based upon the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2022.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund budget. During the year ended June 30, 2020 the budget was amended in a legally permissible manner. During the year ended June 30, 2020 the Academy incurred expenditures in certain budgetary functions that were in excess of the amounts appropriated however total expenditures were less than total board appropriations, as detailed on page 19 of these financial statements.

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2020, the Academy held no investments.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2020, \$3,916,621 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2020.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 2,273,830
Federal sources	<u>919,553</u>
Total	<u>\$ 3,193,383</u>

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities was as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital assets subject to depreciation				
Furniture and equipment	\$ 1,114,889	\$ -	\$ -	\$ 1,114,889
Accumulated depreciation				
Furniture and equipment	<u>1,011,622</u>	<u>29,687</u>	<u>-</u>	<u>1,041,309</u>
Total net capital assets	<u>\$ 103,267</u>	<u>\$ (29,687)</u>	<u>\$ -</u>	<u>\$ 73,580</u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 – NOTES PAYABLE

Notes payable as if June 30, 2020 can be summarized as follows:

Loan Information

	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Other</u>
SAAN 19/20	3.65%	August 2020	Issued to provide Academy with funds for operations; secured by future state aid payments

Loan Activity

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u> <u>and Payments</u>	<u>Balance</u> <u>June 30, 2020</u>
SAAN 19/20	<u>\$ -</u>	<u>\$ 902,000</u>	<u>\$ 734,769</u>	<u>\$ 167,231</u>

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses can be summarized as follows:

Purchased services - payroll and benefits	\$ 739,712
University oversight fee	59,443
Other accrued expenses	<u>496,689</u>
Total other accrued expenses	<u>\$ 1,295,844</u>

NOTE 8 – OPERATING LEASES

Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
School facilities	July, 2035	\$80,700	Payable in 10 monthly payments
School facilities	July, 2041	\$1,080,000	Payable in 10 monthly payments
Athletic facilities	June, 2021	\$4,000 monthly	
Parking	June, 2021	\$9,500 monthly	
Parking	June, 2022	\$5,227 monthly	
Office equipment	August, 2020	\$5,700 monthly	Renews automatically every 90 days

The approximate amount of lease obligations coming due during the next five years and thereafter is as follows:

2021	\$1,452,788
2022	1,222,177
2023	1,156,528
2024	1,156,773
2025	1,156,934
2026 - 2030	5,793,543
2031 - 2035	5,775,381
2036 - 2040	5,376,820
2041	1,074,924

Total lease expense included in the statement of activities for the year ended June 30, 2020 amounted to \$2,107,331.

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 9 – RELATED PARTY TRANSACTIONS

The C.R. Smith Foundation was established for the purpose of raising funds for non-profit educational institutions in the metropolitan Detroit area. The Foundation provides financial support to the Academy through securing financing for facilities, as well as cash contributions. The Academy had a balance in accounts payable of \$2,615 to the Foundation.

In December 2005, the Academy entered into a lease financing agreement with C.R. Smith Foundation for the construction and equipping of a new elementary school. The agreement called for the Foundation to finance the construction through issuance of limited obligation revenue bonds. These bonds are to be repaid over ten months annually starting in June 2006 and ending in June 2035 through Old Redford Academy by way of a “set-aside” of the Academy’s State School Aid, not to exceed 20%. These monies are held in trust by U.S. Bank until such time as principal and interest become due. In the event that there are insufficient funds held in trust to make the necessary bond payments, Old Redford Academy pledges to use any and all other available funds up to and including 97% of its State School Aid. The total amount paid under this agreement for the year ended June 30, 2020 was \$808,115.

In November 2010, the Academy entered into a lease financing agreement with C.R. Smith Foundation for the construction and equipping of a new middle school. The agreement called for the Foundation to finance the construction through issuance of limited obligation revenue bonds. These bonds are to be repaid over ten months annually starting in June 2012 and ending in June 2041 through Old Redford Academy by way of a “set-aside” of the Academy’s State School Aid, not to exceed 20%. These monies are held in trust by U.S. Bank until such time as principal and interest become due. In the event that there are insufficient funds held in trust to make the necessary bond payments, Old Redford Academy pledges to use any and all other available funds up to and including 97% of its State School Aid. The total amount paid under this agreement for the year ended June 30, 2020 was \$1,078,892.

The Academy leases a parking lot from C.R. Smith Foundation under a lease beginning July 2011 and ending June 30, 2021. This lease calls for a total of \$9,500 to be paid monthly. The total payments made under these lease agreements for the year ended June 30, 2020 were \$114,000.

The Academy leases athletic fields from C.R. Smith Foundation under a lease beginning July 2011 and ending June 30, 2021. This lease calls for a total of \$4,000 to be paid monthly. The total payments made under this lease agreement for the year ended June 30, 2020 were \$48,000.

The Academy leases a parking lot from C.R. Smith Foundation under a sub-lease beginning July 2020 and ending June 30, 2022. This lease calls for a total of \$5,227 to be paid monthly. There were no payments made under this lease agreement for the year ended June 30, 2020, as this property was leased from a different party for the fiscal year ended June 30, 2020.

Additional information regarding leases is described at Note 8.

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 10 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - CONTINGENCIES

Global efforts to contain the spread of COVID-19, often referred to as the Coronavirus, have significantly impacted many businesses, the economy and school. As a precaution to slow the spread of the virus the 2019 – 2020 school year ended in person education early pursuant to the governor of Michigan's executive order on March 13, 2020. There were also resulting budget cuts to state aid that resulted in reduced state funding for the last payment of the year. The Academy is economically dependent upon this state funding for normal and continued operations. The reduced funding will be supplemented two for one with federal program funds during the 2020 – 2021 school year however the existence and continuation of federal resources beyond this coming fiscal year is not currently known. While the situation continues to evolve, and the full impact is yet to be determined, it can be reasonably expected that state funding for schools will be affected due to the economic effects of COVID-19.

SUPPLEMENTARY INFORMATION

OLD REDFORD ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 56,000	\$ 15,987	\$ 40,066	\$ 24,079
State sources	16,456,112	12,999,252	13,528,950	529,698
Federal sources	<u>1,592,915</u>	<u>1,532,789</u>	<u>1,270,065</u>	<u>(262,724)</u>
Total general fund revenues	18,105,027	14,548,028	14,839,081	291,053
Expenditures				
Instruction				
Basic programs	5,091,440	4,357,119	4,137,757	(219,362)
Added needs	2,468,314	1,450,678	901,983	(548,695)
Support services				
Pupil support services	981,821	854,970	730,338	(124,632)
Instructional staff support services	529,051	861,572	655,795	(205,777)
General administration	2,262,592	926,123	808,589	(117,534)
School administration	1,257,750	1,047,788	977,868	(69,920)
Business support services	220,000	389,559	354,895	(34,664)
Operations and maintenance	4,070,981	4,188,704	4,130,082	(58,622)
Pupil transportation services	352,896	210,519	251,375	40,856
Central support services	838,806	537,723	639,002	101,279
Athletic activities	109,006	113,646	70,647	(42,999)
Community services	<u>5,000</u>	<u>56,404</u>	<u>60,205</u>	<u>3,801</u>
Total general fund expenditures	<u>18,187,657</u>	<u>14,994,805</u>	<u>13,718,536</u>	<u>(1,276,269)</u>
Excess (deficiency) of revenues over expenditures	(82,630)	(446,777)	1,120,545	1,567,322
Fund balance - July 1, 2019	<u>3,737,421</u>	<u>3,737,421</u>	<u>3,737,421</u>	-
Fund balance - June 30, 2020	<u><u>\$ 3,654,791</u></u>	<u><u>\$ 3,290,644</u></u>	<u><u>\$ 4,857,966</u></u>	<u><u>\$ 1,567,322</u></u>

OLD REDFORD ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

Local Sources

Other local revenues	\$ 40,066
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State Sources

At risk	1,006,459
Great start readiness program	227,096
Special education	121,540
State aid	<u>12,173,855</u>

Total state sources	13,528,950
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Federal Sources

IDEA	631,178
Title I	597,170
Title II A	<u>41,717</u>

Total federal sources	<u>1,270,065</u>
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Total general fund revenues	<u>\$ 14,839,081</u>
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OLD REDFORD ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

Basic Programs

Purchased services	\$ 3,875,986
Other purchased services	9,326
Supplies and materials	251,245
Other expenditures	1,200
	<hr/>
Total basic programs	4,137,757

Added Needs

Purchased services	901,528
Supplies and materials	455
	<hr/>
Total added needs	901,983

Pupil Support Services

Truancy / Absenteeism	58,369
Guidance services	391,731
Health services	17,700
Psychological services	26,200
Speech pathology and audiology	46,801
Social work services	189,537
	<hr/>
Total pupil support services	730,338

Instructional Staff Support Services

Purchased services	644,709
Rentals	4,050
Supplies and materials	7,036
	<hr/>
Total instructional staff support services	655,795

General Administration

Purchased services	205,853
Management fees	214,823
University oversight	362,768
Other purchased services	7,035
Supplies and materials	8,008
Other expenditures	10,102
	<hr/>
Total general administration	808,589

OLD REDFORD ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2020

School Administration

Purchased services	866,141
Rentals	69,550
Other purchased services	5,777
Supplies and materials	30,977
Non-depreciable capital assets	4,796
Other expenditures	627
	<hr/>
Total school administration	977,868

Business Support Services

Purchased services	119,524
Rentals	2,088
Other purchased services	19,980
Supplies and materials	1,854
Other expenditures	211,449
	<hr/>
Total business support services	354,895

Operations and Maintenance

Purchased services	1,502,212
Repairs and maintenance	98,126
Rentals	2,107,331
Other purchased services	20,756
Supplies and materials	396,207
Non-depreciable capital assets	5,450
	<hr/>
Total operations and maintenance	4,130,082

Pupil Transportation Services

Purchased services	163,575
Repairs and maintenance	3,061
Rentals	74,886
Supplies and materials	9,800
Other expenditures	53
	<hr/>
Total pupil transportation services	251,375

OLD REDFORD ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2020

Central Support Services

Purchased services	373,683
Other purchased services	4,845
Supplies and materials	539
Non-depreciable capital assets	43,156
Other expenditures	<u>216,779</u>
Total central support services	639,002

Athletic Activities

Purchased services	37,906
Rentals	2,400
Other purchased services	15,048
Supplies and materials	12,418
Other expenditures	<u>2,875</u>
Total athletic activities	70,647

Community Services

Purchased services	47,822
Other purchased services	6,400
Supplies and materials	<u>5,983</u>
Total community services	<u>60,205</u>

Total general fund expenditures	<u><u>\$ 13,718,536</u></u>
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APPENDIX

Federal Awards Report



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
of Old Redford 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 Old Redford Academy, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Old Redford Academy's basic financial statements, and have issued our report thereon dated December 28, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Old Redford 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 Old Redford Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Old Redford 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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 that we consider to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Old Redford 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-001.

Old Redford Academy's Response to Finding

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

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.



Croskey Lanni, PC

Rochester, Michigan
December 28, 2020



**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
of Old Redford Academy**

We have audited the Old Redford Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Old Redford Academy's major federal programs for the year ended June 30, 2020. Old Redford Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Old Redford Academy's major federal programs based 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 Old Redford 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 Old Redford Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Old Redford Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-002. Our opinion on each major program is not modified with respect to this matter.

The Academy's response to the noncompliance finding 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 the audit of compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Old Redford 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 Old Redford Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 Old Redford 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Croskey Lanni, PC

Rochester, Michigan
December 28, 2020

OLD REDFORD ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2019	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2020	Current Year Cash Transferred To Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through Michigan Department of Education:										
Noncash Assistance (Commodities) -										
National Lunch Program										
Commodities 2019-20										
	N/A	10.555	\$ 74,100	\$ -	\$ -	\$ -	\$ 47,285	\$ 47,285	\$ -	\$ -
Cash Assistance:										
National School Lunch Program 2018-19										
	191960	10.555	686,980	613,237	126,453	-	200,196	73,743	-	-
COVID-19 - National School Lunch Program 2019-20										
	200902	10.555	3,366	-	-	-	3,366	3,366	-	-
National School Lunch Program 2019-20										
	201960	10.555	372,024	-	-	-	372,024	372,024	-	-
National School Lunch Program (including commodities) Subtotal										
		10.555	1,136,470	613,237	126,453	-	622,871	496,418	-	-
National School Breakfast Program 2018-19										
	191970	10.553	228,078	202,238	45,297	-	71,137	25,840	-	-
National School Breakfast Program 2019-20										
	201970	10.553	130,536	-	-	-	130,536	130,536	-	-
National School Breakfast Program Subtotal										
		10.553	358,614	202,238	45,297	-	201,673	156,376	-	-
Summer Food Service Program 2019-2020										
	200900/200901	10.559	40,509	-	-	-	13,910	40,509	26,599	-
Total Child Nutrition Cluster			1,535,593	815,475	171,750	-	838,454	693,303	26,599	-
Special Education Cluster - U.S. Department of Ed. - Passed through the Wayne County RESA										
IDEA Flowthrough:										
IDEA Flowthrough 1819										
	190450	84.027A	325,150	325,150	325,150	-	325,150	-	-	-
IDEA Flowthrough 1920										
	200450	84.027A	306,028	-	-	-	-	306,028	306,028	-
Total Special Education Cluster			631,178	325,150	325,150	-	325,150	306,028	306,028	-

See accompanying notes to schedule of expenditures of federal awards

OLD REDFORD ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2020

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2019	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2020	Current Year Cash Transferred To Subrecipient
Other federal awards:										
Passed through the Michigan Department of Education:										
Fresh Fruit & Vegetable Program:										
Fresh Fruit & Vegetable Program 2018-2019	190950	10.582	40,666	39,103	8,810	-	10,373	1,563	-	-
Fresh Fruit & Vegetable Program 2019-2020	200950	10.582	<u>30,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,649</u>	<u>30,649</u>	<u>-</u>	<u>-</u>
Total Fresh Fruit & Vegetable Program		10.582	71,315	39,103	8,810	-	41,022	32,212	-	-
Title I Part A:										
Title I Part A 1819	191530	84.010	1,147,552	627,010	627,010	-	687,728	60,718	-	-
Title I Part A 1920	201530	84.010	<u>1,098,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>536,452</u>	<u>536,452</u>	<u>-</u>
Total Title I Part A		84.010	2,246,139	627,010	627,010	-	687,728	597,170	536,452	-
Title II Part A - Supporting Effective Instruction:										
Title II Part A 1819	190520	84.367	311,163	74,024	74,024	-	74,024	-	-	-
Title II Part A 1920	200520	84.367	<u>299,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,690</u>	<u>40,690</u>	<u>-</u>
Total Title II Part A		84.367	610,653	74,024	74,024	-	74,024	40,690	40,690	-
Title IV Part A - Student Support & Academic Enrichment:										
Title IV Part A 1920	200750	84.424	<u>138,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,784</u>	<u>9,784</u>	<u>-</u>
Total noncluster programs passed through the Michigan Department of Education			<u>3,066,873</u>	<u>740,137</u>	<u>709,844</u>	<u>-</u>	<u>802,774</u>	<u>679,856</u>	<u>586,926</u>	<u>-</u>
Total Federal Awards			<u>\$ 5,233,644</u>	<u>\$ 1,880,762</u>	<u>\$ 1,206,744</u>	<u>\$ -</u>	<u>\$ 1,966,378</u>	<u>\$ 1,679,187</u>	<u>\$ 919,553</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards

OLD REDFORD ACADEMY

RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

Revenues to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements
(includes all funds):

General Fund	\$ 1,270,065
Special Revenue Fund	<u>725,515</u>
Subtotal	1,995,580
Prior year unavailable revenue collected	(326,177)
Current year unavailable revenue not collected within 60 days	<u>9,784</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 1,679,187</u></u>

OLD REDFORD ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Old Redford Academy under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Old Redford Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows of Old Redford Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

Old Redford Academy has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

NOTE 5 - GRANT AUDITOR'S REPORT

Management has utilized the Grant Auditor's report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

OLD REDFORD ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
#10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b): \$ 750,000

Auditee qualified as low-risk auditee? yes no

OLD REDFORD ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

Reference Number	Findings
---------------------	----------

2020-001

Finding Type – Material Weakness and Noncompliance with laws and regulations.

Criteria – The Academy did not submit its 2019-2020 annual comprehensive data to the Center for Educational Performance and Information (“the Center”) by December 1, 2020 as required by The State School Aid Act of 1979 (PA of 1979, as amended, MCL 388.1618.5).

Condition – The Academy did not submit its annual comprehensive financial data consistent with its financial statements to the Center by December 1, 2020.

Cause / Effect – The Michigan Department of Education has withheld the Academy’s monthly state aid payment until the required submission occurs.

Recommendation – The Academy should ensure it has proper internal controls in place to comply with its annual external reporting requirements in accordance with state law.

Auditee Response – The Academy agrees with the finding and is implementing procedures in order to prevent this noncompliance in the future.

OLD REDFORD ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2020

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**Reference
Number**

Findings

2020-002

REPEAT FINDING 2019-003

Finding Type – Noncompliance with laws and regulations – Program Income

Criteria – In accordance with 7 CFR 210.19(a)(2), the Academy’s Nonprofit School Food Service Account’s (“NSFSA”) fund balance, or net cash resources, must not exceed three months’ average expenditures.

Condition – The Academy’s NSFSA’s fund balance exceeded the allowable three months’ average expenditures balance as of June 30, 2020. The Academy had approximately 7.09 months of expenditures as fund balance as of June 30, 2020. The Academy will be required to submit a Plan of Action and obtain Michigan Department of Education’s (“MDE”) prior approval to improve the food quality or take other action designed to improve the program in accordance with 7 CFR 210.19(a)(2).

Questioned Costs – None

Cause – Unknown

Effect – The Academy is not in compliance with U.S. Department of Agriculture regulations.

Recommendation – The Academy should submit a Plan of Action and obtain MDE’s prior approval to improve the food quality or take other action designed to improve the program in accordance with 7 CFR 210.19(a)(2).

Auditee Response – The Academy agrees with the finding and is implementing procedures in order to prevent this noncompliance. Furthermore, the Academy has a carry-over extension related to its previous Excess Fund Balance Plan of Action from the 2018-2019 school year from MDE. The extension allows for the excess funds to be spent during the 2020-2021 school year, and no later than June 30, 2021.

OLD REDFORD ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2020

1) Audit findings that have been fully corrected:

Fiscal Year: 2019

Finding Number: 2019-001

Finding: The Academy's payroll reconciliations and related journal entries to the general ledger did not agree to the information provided by the payroll service organization managing the employees and payroll.

Comments: The Academy has implemented procedures to ensure that its payroll reconciliations and related journal entries agreed with the information provided by the payroll service organization managing the employees and payroll.

Fiscal Year: 2019

Finding Number: 2019-002

Finding: The Academy did not use required grant codes in all instances, including grant expenditures, in its chart of accounts as required by the Michigan Department of Education.

Comments: The Academy has implemented, as required by the Michigan Department of Education, the required chart of accounts for recording grant expenditures.

OLD REDFORD ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

2) Audit findings not corrected or partially corrected:

**Reference
Number**

Findings

2019-003

Finding Type – Material Weakness and Material Noncompliance – Program Income

Program Information – Child Nutrition Cluster. U.S. Department of Agriculture, passed through Michigan Department of Education, CFDA #10.553, 10.555, and 10.559.

Criteria – The Academy must limit its fund balance to an amount that does not exceed three months’ average expenditures for its non-profit school food service per requirements in 7 CFR 210.14 (b).

Condition – Fund balance is in excess of three months’ average expenditures.

Questioned Costs – None

Cause – Unknown

Effect – The Academy’s food service program fund balance was in excess of required levels by approximately \$266,000.

Recommendation – We recommend the Academy review its food service fund balance throughout the year to verify that they are not in excess of three months expenditures. The Academy should also obtain an approved spend down plan with the State.

Auditee Response – Management agrees with the finding.



December 28, 2020

To the School Board and Management of
Old Redford Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Old Redford Academy for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Old Redford Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by Old Redford Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Academy's financial statements was:

Management's estimate of depreciation is based on management's best judgement of the useful lives of the assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 28, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, and the Budgetary Comparison Schedule, and the Schedule of Expenditures of Federal Awards which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedules of revenues and expenditures, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

A handwritten signature in blue ink that reads "Croskey Lanni, PC". The signature is written in a cursive style.

Croskey Lanni, PC



Learn Today. Lead Tomorrow.

Michigan Department of Education
PO Box 30008
Lansing, Michigan 48909

Old Redford Academy submits the following corrective action plan:

Finding 2020-001:

The Academy did not submit its annual comprehensive financial data consistent with its financial statements to the Center by December 1, 2020.

Corrective Action 2020-001:

The Academy's conversion to a new accounting software during the year and subsequent issues with the conversion were the primary reasons for the delay in the timely completion of the audit. The conversion is now complete and all technical issues have been resolved.

The CFO will ensure that changes in accounting technology/software will be properly managed by all required departments and ensure that systems run concurrently until all issues and/or glitches are resolved.

Finding 2020-002:

Fund balance is in excess of three months' average expenditures for the food service program.

Corrective Action 2020-002:

The CFO and Food Service Director will review fund balance not less than quarterly to verify that fund balance does not exceed the federal requirement of not more than three months' average expenditures. If a spend down is necessary, the Food Service Director will obtain the necessary approvals from MDE to move forward with the spend down plan. Additionally, the Academy received a carry-over extension that allows for the excess funds to be spent no later than June 30, 2021.

Educationally Yours,

Board of Directors, Old Redford Academy