

Audited Financial Statements

Old Redford Academy

Detroit , Michigan

June 30, 2021

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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, 2021, 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, 2021, 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 schedules of revenues and expenditures, and schedule of expenditures of federal awards as required 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues and expenditures and the schedule of expenditures of federal awards, are the responsibility of management and was derived from and relates 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 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 November 1, 2021, 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
November 1, 2021

Old Redford Academy, PSA
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

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, 2021.

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 \$7,913,204 at June 30, 2021. Of this amount, \$7,675,865 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, 2021 and June 30, 2020, respectively:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Assets		
Current assets	\$ 10,100,088	\$ 7,458,873
Capital assets, net of depreciation	<u>51,056</u>	<u>73,580</u>
Total assets	<u>10,151,144</u>	<u>7,532,453</u>
Liabilities		
Current liabilities	<u>2,237,940</u>	<u>2,090,758</u>
Net Position		
Invested in capital assets	51,056	73,580
Restricted	186,283	500,365
Unrestricted	<u>7,675,865</u>	<u>4,867,750</u>
Total net position	<u>\$ 7,913,204</u>	<u>\$ 5,441,695</u>

The \$7,675,865 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 \$2,471,509 in 2020-21.

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, 2021 and June 30, 2020 are as follows:

Old Redford Academy, PSA
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
General Revenue		
State school aid - unrestricted	\$ 11,886,099	\$ 12,173,855
Other - federal, state and local	<u>3,682</u>	<u>40,066</u>
Total general revenue	<u>11,889,781</u>	<u>12,213,921</u>
Program Revenue		
Charges for services - local	2,425	-
Operating grants and contributions	<u>2,322,059</u>	<u>3,065,223</u>
Total program revenue	<u>2,324,484</u>	<u>3,065,223</u>
Total revenue	<u>14,214,265</u>	<u>15,279,144</u>
Expenses		
Instruction	3,648,170	5,039,740
Support services	7,740,948	8,618,591
Food services	323,245	847,362
Community Services	7,869	60,205
Unallocated Depreciation	<u>22,524</u>	<u>29,687</u>
Total expenses	<u>11,742,756</u>	<u>14,595,585</u>
Change in net position	2,471,509	683,559
Net position - July 1	<u>5,441,695</u>	<u>4,758,136</u>
Net position - June 30	<u>\$ 7,913,204</u>	<u>\$ 5,441,695</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 2020-21 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, 2021, 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, 2021**

General Fund

In the General Fund, revenues for the year totaled \$14,185,368. This is almost exactly the same as the final amended budgeted amount of \$14,212,168 a variance of approximately less than 1%. The actual expenditures of the general fund were \$11,396,987. This amount is below the final amended budgeted amount of \$12,608,973.

Fund balance increased by \$2,788,381 at June 30, 2021. The ending fund balance for the fiscal year ended June 30, 2021 is \$7,646,347.

GOVERNMENTAL FUND EXPENDITURES

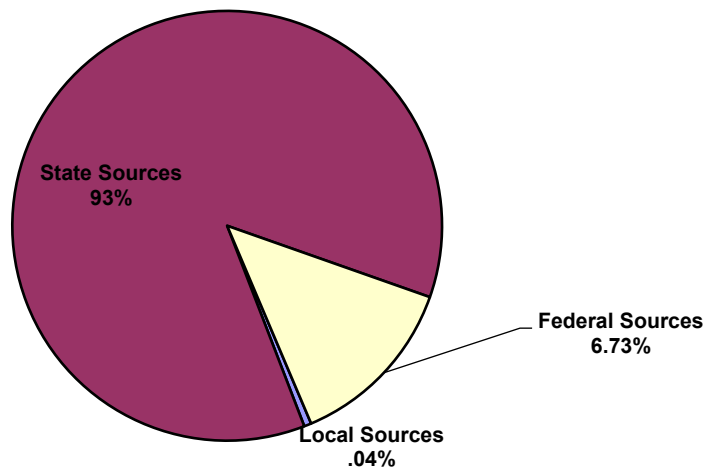
The general fund comprises 97% of all the expenditures within the governmental funds of Old Redford Academy. As of June 30, 2021, expenditures totaled \$11,720,232 for all Academy programs.

	<u>June 30, 2021</u>	<u>Of Total</u>
General Fund	\$ 11.40	97%
Other Non-major Funds	0.30	3%
Total	\$ 11.70	

TOTAL REVENUES

Revenues for all governmental funds totaled \$14,199,129. 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 for 2020-21 was 1,472.71 students and was computed using a one-time only super blend. The super blend calculation was 75% of the 2019-20 90/10

Old Redford Academy, PSA Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2021

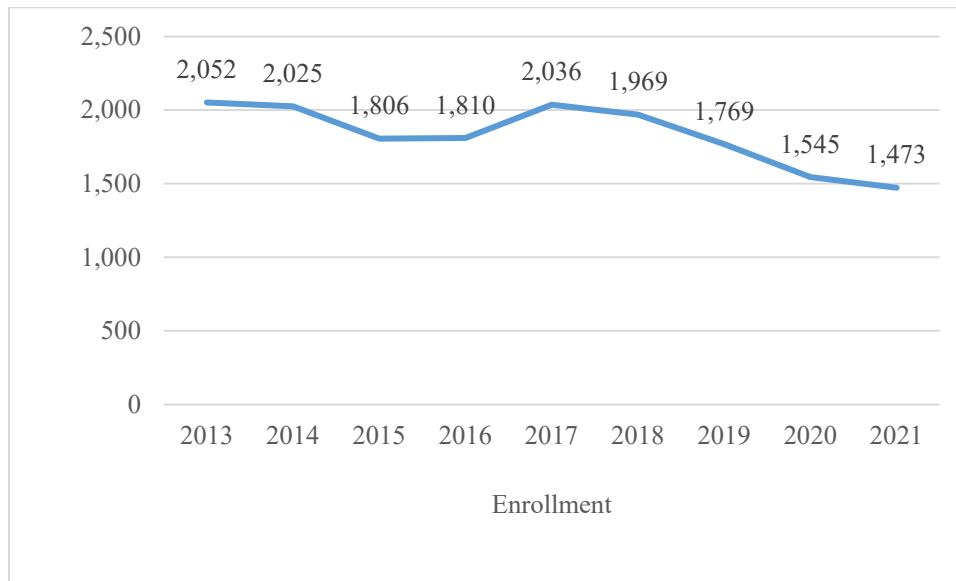
blend plus 25% of the 2020-21 90/10 blend. The effect of the super blend calculation resulted in an approximate State Aid Membership increase of 211.69 students or approximately \$1.7 million.

ENROLLMENT

The Academy's 2020-21 State Aid Membership was 1,472.71.

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, 2021, the Academy had \$1,114,889 invested in furniture and equipment. Of this amount, \$1,063,833 has been depreciated. Net book value totals \$51,056. 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, 2021**

Debt

As of June 30, 2021, 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, 2021

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 6,692,832
Due from other governmental units	3,400,571
Prepaid expenses	2,087
Inventory	4,598
	<hr/>
Total current assets	10,100,088

Capital Assets - Net of Accumulated Depreciation

51,056

Total assets and deferred outflows	<hr/> <u>\$ 10,151,144</u>
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LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$ 939,313
Unearned revenue	559,161
Other accrued expenses	739,466
	<hr/>
Total current liabilities	2,237,940

Net Position

Net investment in capital assets	51,056
Restricted for food service	186,283
Unrestricted	7,675,865
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Total net position	7,913,204
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Total liabilities, deferred inflows and net position	<u>\$ 10,151,144</u>

See accompanying notes to financial statements

OLD REDFORD ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Government Type Activities</u>
Functions				
Instruction				
Basic programs	\$ 3,180,538	\$ -	\$ 861,005	\$ (2,319,533)
Added needs	467,632	-	435,219	(32,413)
Support services				
Pupil support services	539,804	-	373,908	(165,896)
Instructional staff support services	587,288	-	407,109	(180,179)
General administration	787,112	-	-	(787,112)
School administration	860,861	-	-	(860,861)
Business support services	354,385	-	-	(354,385)
Operations and maintenance	4,064,046	-	225,613	(3,838,433)
Pupil transportation services	7,016	-	-	(7,016)
Central support services	540,436	-	-	(540,436)
Food services	323,245	2,425	11,336	(309,484)
Community services	7,869	-	7,869	-
Unallocated depreciation	22,524	-	-	(22,524)
Total primary government	<u>\$ 11,742,756</u>	<u>\$ 2,425</u>	<u>\$ 2,322,059</u>	<u>(9,418,272)</u>
General Purpose Revenues				
State school aid - unrestricted				11,886,099
Miscellaneous revenues				<u>3,682</u>
Total general purpose revenues				<u>11,889,781</u>
Change in net position				2,471,509
Net position - July 1, 2020				<u>5,441,695</u>
Net position - June 30, 2021				<u>\$ 7,913,204</u>

See accompanying notes to financial statements

OLD REDFORD ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2021

ASSETS

	General	Non-Major Special Revenue - Food Services	Total
Cash and cash equivalents	\$ 6,692,832	\$ -	\$ 6,692,832
Due from other governmental units	3,396,949	3,622	3,400,571
Due from other funds	-	324,897	324,897
Inventory	-	4,598	4,598
Prepaid expenses	2,087	-	2,087
 Total assets	 \$ 10,091,868	 \$ 333,117	 \$ 10,424,985

LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE

Liabilities

Accounts payable	\$ 797,077	\$ 142,236	\$ 939,313
Due to other funds	324,897	-	324,897
Unearned revenue	559,161	-	559,161
Other accrued expenses	739,466	-	739,466
 Total liabilities	 2,420,601	 142,236	 2,562,837

Deferred Inflows of Resources

Unavailable revenue	24,920	-	24,920
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Fund Balance

Nonspendable	2,087	4,598	6,685
Restricted	-	186,283	186,283
Unassigned	7,644,260	-	7,644,260
 Total fund balance	 7,646,347	 190,881	 7,837,228
 Total liabilities, deferred inflows and fund balance	 \$ 10,091,868	 \$ 333,117	 \$ 10,424,985

See accompanying notes to financial statements

OLD REDFORD ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2021

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

Total Governmental Fund Balances	\$ 7,837,228
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 \$1,063,833.	51,056
Deferred inflows of resources (unavailable revenue) not available to benefit the current period and are not reported in the statement of net position.	<u>24,920</u>
Net Position of Governmental Activities	<u><u>\$ 7,913,204</u></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, 2021

	General	Non-Major Special Revenue - Food Services	Total
Revenues			
Local sources	\$ 3,682	\$ 2,425	\$ 6,107
State sources	13,225,843	11,336	13,237,179
Federal sources	955,843	-	955,843
	14,185,368	13,761	14,199,129
Expenditures			
Instruction			
Basic programs	3,180,538	-	3,180,538
Added needs	467,632	-	467,632
Support services			
Pupil support services	539,804	-	539,804
Instructional staff support services	587,288	-	587,288
General administration	787,112	-	787,112
School administration	860,861	-	860,861
Business support services	354,385	-	354,385
Operations and maintenance	4,064,046	-	4,064,046
Pupil transportation services	7,016	-	7,016
Central support services	540,436	-	540,436
Food services	-	323,245	323,245
Community services	7,869	-	7,869
	11,396,987	323,245	11,720,232
Excess (deficiency) of revenues over expenditures	2,788,381	(309,484)	2,478,897
Fund balance - July 1, 2020	4,857,966	500,365	5,358,331
Fund balance - June 30, 2021	\$ 7,646,347	\$ 190,881	\$ 7,837,228

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, 2021

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

Net Change in Fund Balances - Total Governmental Funds	\$ 2,478,897
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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	(22,524)
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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>15,136</u>
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Change in Net Position of Governmental Activities	<u>\$ 2,471,509</u>
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OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 extended its 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, 2021 were approximately \$353,900.

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, 2021

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 (Food Services)- 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.

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.

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.

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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, 2021. 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, 2021 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 2021 and are considered current for the purposes of these financial statements.

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2021, 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

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.

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.
- 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.

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2021 the budget was amended in a legally permissible manner. During the year ended June 30, 2021 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 18 of these financial statements.

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.

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

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, 2021, 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, 2021, \$6,287,662 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2021.

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.

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.

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS – Continued

- 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	\$ 2,419,808
Federal sources	<u>980,763</u>
Total	<u><u>\$ 3,400,571</u></u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2021</u>
Capital assets subject to depreciation				
Furniture and equipment	\$ 1,114,889	\$ -	\$ -	\$ 1,114,889
Accumulated depreciation				
Furniture and equipment	<u>1,041,309</u>	<u>22,524</u>	<u>-</u>	<u>1,063,833</u>
Total net capital assets	<u><u>\$ 73,580</u></u>	<u><u>\$ (22,524)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 51,056</u></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.

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 – NOTES PAYABLE

Notes payable as if June 30, 2021 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 19/20	3.65%	August 2020	Paid in full

Loan Activity

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2021</u>
SAAN 19/20	<u>\$ 167,231</u>	<u>\$ -</u>	<u>\$ 167,231</u>	<u>\$ -</u>

NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses can be summarized as follows:

Purchased services - payroll and benefits	\$ 444,416
University oversight fee	64,377
Other accrued expenses	<u>230,673</u>
Total other accrued expenses	<u>\$ 739,466</u>

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 8 – OPERATING LEASES

Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
School facilities	July, 2035	\$80,800	Payable in 10 monthly payments
School facilities	July, 2041	\$1,080,000	Payable in 10 monthly payments
Athletic facilities	Month-to-Month	\$4,000 monthly	Lease renewal in negotiations
Parking	Month-to-Month	\$9,500 monthly	Lease renewal in negotiations
Parking	June, 2022	\$5,227 monthly	
Office equipment	August, 2021	\$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:

2022	\$1,949,215
2023	1,880,650
2024	1,881,925
2025	1,883,241
2026	1,881,872
2027 - 2031	9,411,010
2032 - 2036	8,616,264
2037 - 2041	5,376,590

Total lease expense included in the statement of activities for the year ended June 30, 2021 amounted to \$2,106,720.

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 \$6,878 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, 2021 was \$806,810.

OLD REDFORD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 9 – RELATED PARTY TRANSACTIONS - Continued

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, 2021 was \$1,078,980.

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, 2021 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, 2021 were \$48,000.

Additional information regarding leases is described at Note 8.

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

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully anticipate the long term effects the impact it will have on the economy and the Academy’s operations. As of the date of these financial statements, the Academy continues to evaluate and implement risk mitigation tactics including all aspects of the Academy’s activities related to public school education, relationships with local, state, and federal government funding sources, compliance with the requirements of these funding sources and with business transactions with customers, vendors and human interaction within and outside of the Academy.

SUPPLEMENTARY INFORMATION

OLD REDFORD ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 30,000	\$ 6,500	\$ 3,682	\$ (2,818)
State sources	11,565,753	13,223,168	13,225,843	2,675
Federal sources	<u>2,513,421</u>	<u>982,500</u>	<u>955,843</u>	<u>(26,657)</u>
Total general fund revenues	14,109,174	14,212,168	14,185,368	(26,800)
Expenditures				
Instruction				
Basic programs	3,954,900	3,773,290	3,180,538	(592,752)
Added needs	1,939,771	576,200	467,632	(108,568)
Support services				
Pupil support services	697,613	681,000	539,804	(141,196)
Instructional staff support services	573,680	601,500	587,288	(14,212)
General administration	948,930	850,683	787,112	(63,571)
School administration	1,057,500	961,500	860,861	(100,639)
Business support services	442,570	421,300	354,385	(66,915)
Operations and maintenance	3,745,850	4,049,500	4,064,046	14,546
Pupil transportation services	226,100	5,000	7,016	2,016
Central support services	481,000	681,500	540,436	(141,064)
Community services	<u>59,400</u>	<u>7,500</u>	<u>7,869</u>	<u>369</u>
Total general fund expenditures	<u>14,127,314</u>	<u>12,608,973</u>	<u>11,396,987</u>	<u>(1,211,986)</u>
Excess (deficiency) of revenues over expenditures	(18,140)	1,603,195	2,788,381	1,185,186
Fund balance - July 1, 2020	<u>4,857,966</u>	<u>4,857,966</u>	<u>4,857,966</u>	-
Fund balance - June 30, 2021	<u>\$ 4,839,826</u>	<u>\$ 6,461,161</u>	<u>\$ 7,646,347</u>	<u>\$ 1,185,186</u>

OLD REDFORD ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

Local Sources

Other local revenues	\$ 3,682
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State Sources

At risk	927,217
Great start readiness program	222,999
Special education	189,528
State aid	<u>11,886,099</u>

Total state sources	13,225,843
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Federal Sources

IDEA	149,326
Title I	706,953
Title III	<u>99,564</u>

Total federal sources	<u>955,843</u>
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Total general fund revenues	<u><u>\$ 14,185,368</u></u>
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OLD REDFORD ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

Basic Programs

Purchased services	\$ 2,898,374
Supplies and materials	205,778
Non-depreciable capital assets	<u>76,386</u>
Total basic programs	3,180,538

Added Needs

Purchased services	467,632
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Pupil Support Services

Truancy / Absenteeism	1,247
Guidance services	381,249
Health services	23,556
Psychological services	8,800
Speech pathology and audiology	35,627
Social work services	<u>89,325</u>
Total pupil support services	539,804

Instructional Staff Support Services

Purchased services	567,638
Supplies and materials	<u>19,650</u>
Total instructional staff support services	587,288

General Administration

Purchased services	139,556
Management fees	276,606
University oversight	353,916
Supplies and materials	2,693
Non-depreciable capital assets	7,349
Other expenditures	<u>6,992</u>
Total general administration	787,112

OLD REDFORD ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2021

School Administration

Purchased services	749,684
Rentals	69,835
Other purchased services	15,570
Supplies and materials	25,772

Total school administration 860,861

Business Support Services

Purchased services	155,327
Rentals	1,503
Supplies and materials	1,579
Non-depreciable capital assets	1,599
Other expenditures	194,377

Total business support services 354,385

Operations and Maintenance

Purchased services	1,428,348
Repairs and maintenance	208,939
Rentals	2,106,720
Other purchased services	800
Supplies and materials	316,411
Non-depreciable capital assets	2,828

Total operations and maintenance 4,064,046

Pupil Transportation Services

Purchased services	7,016
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OLD REDFORD ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2021

Central Support Services

Purchased services	315,068
Other purchased services	6,008
Supplies and materials	1,507
Non-depreciable capital assets	2,323
Other expenditures	<u>215,530</u>
Total central support services	540,436

Community Services

Purchased services	1,057
Supplies and materials	<u>6,812</u>
Total community services	<u>7,869</u>

Total general fund expenditures	<u><u>\$ 11,396,987</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, 2021, 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 November 1, 2021.

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) as a basis for designing audit 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 Academy'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be significant deficiencies.

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 financial statements. 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*.

Old Redford Academy's Response to Findings

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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Croskey Lanni, PC

Rochester, Michigan
November 1, 2021



**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 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, 2021. 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 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 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, 2021.

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 2021-002. Our opinion on each major program is not modified with respect to this matter.

The Academy's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Academy's response was not subjected to the auditing procedures applied in 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
November 1, 2021

OLD REDFORD ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

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, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Current Year Cash Transferred To Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed Through Michigan Department of Education:										
Summer Food Service Program 2019-2020	200900/200901	10.559	40,509	40,509	26,599	-	26,599	-	-	-
Total Child Nutrition Cluster			40,509	40,509	26,599	-	26,599	-	-	-
Special Education Cluster - U.S. Department of Ed. - Passed Through the Wayne County RESA:										
IDEA Flowthrough:										
IDEA Flowthrough 1920	200450	84.027	306,028	306,028	306,028	-	306,028	-	-	-
IDEA Flowthrough 2021	210450	84.027	-	-	-	-	-	149,326	149,326	-
Total Special Education Cluster			306,028	306,028	306,028	-	306,028	149,326	149,326	-
Other Federal Awards:										
U.S Department of Ed. - Passed Through the Michigan Department of Education:										
Title I Part A:										
Title I Part A 1920	201530	84.010	1,098,587	536,452	536,452	-	536,452	-	-	-
Title I Part A 2021	211530	84.010	1,043,659	-	-	-	-	722,089	722,089	-
Total Title I Part A			84.010	2,142,246	536,452	-	536,452	722,089	722,089	-
Title II Part A:										
Title II Part A 1920	200520	84.367	299,490	40,690	40,690	-	40,690	-	-	-
Title II Part A 2021	210520	84.367	206,171	-	-	-	-	99,564	99,564	-
Total Title II Part A			84.367	505,661	40,690	-	40,690	99,564	99,564	-
Title IV Part A:										
Title IV Part A 1920	200750	84.424	9,784	9,784	9,784	-	-	-	9,784	-
Total Federal Awards			<u>\$ 3,004,228</u>	<u>\$ 933,463</u>	<u>\$ 919,553</u>	<u>\$ -</u>	<u>\$ 909,769</u>	<u>\$ 970,979</u>	<u>\$ 980,763</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, 2021

Revenues to Expenditures

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

General Fund	\$ 955,843
Current year unavailable revenue not collected within 60 days	<u>15,136</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 970,979</u></u>

OLD REDFORD ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021. 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 - GRANT AUDITOR REPORT

Management has utilized the Grant Auditor 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, 2021

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:

CFDA Number(s)
84.010

Name of Federal Program or Cluster
Title I Part A

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, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

**Reference
Number**

Findings

2021-001

Finding Type – Significant Deficiency

Criteria – The Academy’s internal control structure should ensure that accounting data is properly calculated, reconciled and reported in accordance with generally accepted accounting principles.

Condition – The Academy’s cash account was not reconciled timely that required a significant adjustment to the general ledger in order to properly reflect the appropriate balance.

Cause / Effect – While the accounts were reconciled throughout the year the cash account required a significant adjustment to record missing transactions in order to bring it into agreement with the bank balance. The effect was to cause a significant adjustment to the accounting records.

Recommendation – The Academy should institute monthly and yearly closing procedures to ensure all accounts are reconciled.

Auditee Response – The auditee agrees with the finding. The Academy has implemented procedures in order to ensure that periods are closed to prevent changes to finalized and reconciled balances and accounts

OLD REDFORD ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**Reference
Number**

Findings

2021-002

REPEAT FINDING 2020-002

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, 2021. The Academy had approximately 5.55 months of expenditures as fund balance as of June 30, 2021. 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.

OLD REDFORD ACADEMY

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2021

1) *Audit findings that have been fully corrected:*

Fiscal Year: 2020

Finding Number: 2020-001

Finding: 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).

Comments: The Academy implemented procedures to ensure that timely submission of its required financial statement filing is accomplished

OLD REDFORD ACADEMY

SCHEDULE OF PRIOR AUDIT FINDINGS - Continued FOR THE YEAR ENDED JUNE 30, 2021

2) *Audit findings not corrected or partially corrected:*

Reference Number	Findings
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2020-002

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.