

Audited Financial Statements

**Uplift Michigan Online School d/b/a Uplift
Michigan Academy**
Stephenson, Michigan

June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Uplift Michigan Online School d/b/a Uplift Michigan Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Uplift Michigan Online School d/b/a Uplift Michigan Academy as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Uplift Michigan Online School d/b/a Uplift Michigan 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 Uplift Michigan Online School d/b/a Uplift Michigan 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 Uplift Michigan Online School d/b/a Uplift Michigan Academy's basic financial statements. The schedule of revenues and expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues and expenditures 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 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 October 26, 2021, on our consideration of Uplift Michigan Online School d/b/a Uplift Michigan 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 Uplift Michigan Online School d/b/a Uplift Michigan 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 Uplift Michigan Online School d/b/a Uplift Michigan Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan
October 26, 2021



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 Uplift Michigan Online School d/b/a Uplift Michigan 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 Uplift Michigan Online School d/b/a Uplift Michigan Academy, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Uplift Michigan Online School d/b/a Uplift Michigan Academy's basic financial statements, and have issued our report thereon dated October 26, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Uplift Michigan Online School d/b/a Uplift Michigan 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 Uplift Michigan Online School d/b/a Uplift Michigan Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Uplift Michigan Online School d/b/a Uplift Michigan Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Uplift Michigan Online School d/b/a Uplift Michigan 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*.

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
October 26, 2021



Uplift Michigan Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

This discussion and analysis of Uplift Online Michigan School's (dba, Uplift Michigan Academy) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to provide, in layman's terms, a look at the School's performance and current position. We encourage readers to consider the information presented here in conjunction with the financial statements and the notes to the financial statements.

This information is required by GASB 34 (Governmental Accounting Standards Board's Statement No. 34). GASB 34 requires the presentation of two basic types of financial statements; namely, School-wide Financial Statements and Fund Financial Statements.

Overview of the Financial Statements

This annual report consists of four parts: (1) the independent auditor's report, (2) management's discussion and analysis, (3) the basic financial statements, and (4) required supplementary information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School's budget for the year.

School-wide Financial Statements

The school-wide statements provide a financial perspective of the School as a whole. These statements are on the "full accrual" basis of accounting and provide information about the School's overall financial status. They are used to help determine whether the School is better off or worse off as the result of the year's activities. There are two school-wide statements: The *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* reports all the School's assets, deferred inflows and outflows, and liabilities, both short-term and long-term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the School are reported in this statement.

The *Statement of Activities* accounts for the current year's revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the information relative to funding received and expenditures made for School services.

The two school-wide statements report the School's net position and how they have changed. Net Position – the difference between the School's assets, deferred inflows and outflows, and liabilities – is one way to measure the School's financial health or position.

- Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School's overall health, one needs to consider additional non-financial factors such as the quality of the education provided.

In the school-wide statements, the School's activities are classified as governmental activities. This includes the School's basic services, such as regular and special education, transportation, and administration. State aid and federal grants typically finance most of these services.



Uplift Michigan Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2021

Fund Financial Statements

The fund financial statements focus on individual parts of the School, reporting the School's operations in more detail than the school-wide statements. The fund level statements are reported on a *modified accrual basis*. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the School's major instructional and instructional support activities are reported in the *General Fund*. The primary funding sources for the General Fund are typically from state foundation grant per student and state categorical funding for specific programs. The School has no other funds.

Financial Analysis of the School as a Whole

The net position of the School as of June 30, 2021, was \$1,351,091 compared to \$949,559 in 2020. Figure A-1 below shows a condensed breakdown of a comparative statement of net position for school year ended 2021 and 2020.

Figure A-1
Condensed Statement of Net Position

Governmental Activities

	2021	2020
Current and other assets	\$ 1,764,450	\$ 1,240,187
Current liabilities	413,359	290,628
Net position:		
Unrestricted	\$ 1,351,091	\$ 949,559

Comments on Major Changes to Net Position

The net position of the School is \$1,351,091 during the 2020-2021 year which is the third year of operation. Figure A-2 on the following page shows a comparative breakdown of this change for school year 2021 and 2020. The Statement of Activities presented later in the school-wide financial statements, provides greater detail on the School's annual activity. The cost of the School's governmental activities for the year ended June 30, 2021 was approximately \$3,524,645 compared to \$2,082,159 for the year ended June 30, 2020.



Uplift Michigan Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2021

Figure A-2

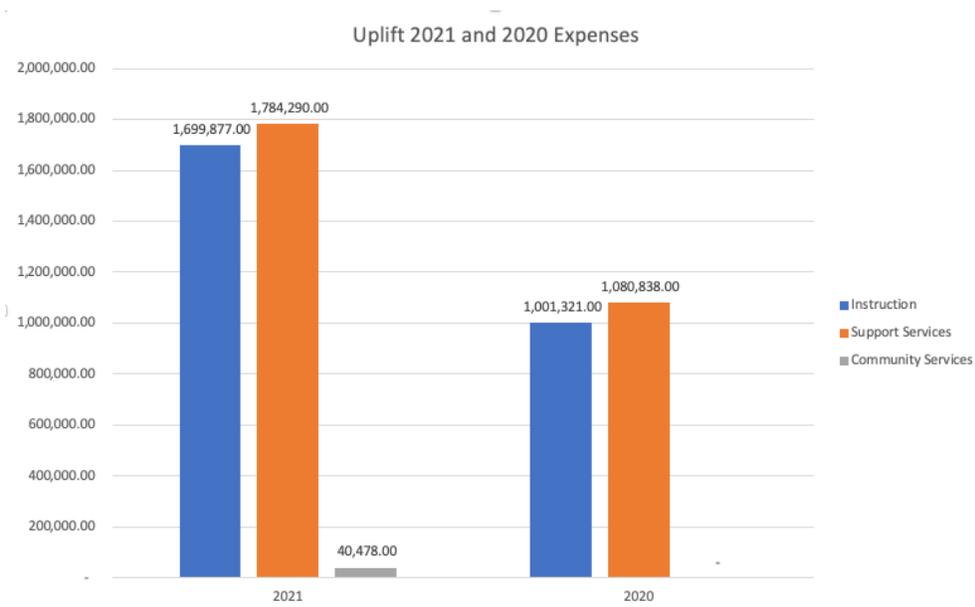
	2021	2020
Revenues:		
Program revenues:		
Federal and state operating grants	\$ 407,235	\$ 141,926
General revenues:		
State aid - unrestricted	3,518,942	1,351,659
Miscellaneous	-	479,608
	3,926,177	1,973,193
Total revenues	3,926,177	1,973,193
Expenses:		
Instruction	1,699,877	1,001,321
Support services	1,824,768	1,080,838
	3,524,645	2,082,159
Total expenses	3,524,645	2,082,159
Increase (decrease) in net position	\$ 401,532	\$ (108,966)

Statement of Revenues and Expenditures Analysis

Total revenues from all sources during the school year 2020-21 was \$3,926,177 for the third year of operation compared to \$1,495,233 during school year 2018-2019.

Expenses reported on the statement of activities by function; See Figure A-3 for a comparative statement of expenses by function for school year 2021 and 2020.

Figure A-3





Uplift Michigan Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

Financial Analysis of the School's Funds

The financial performance of the School as a whole is reflected in its governmental funds as well. The governmental funds equity is \$1,351,091 and \$949,559 during the school year 2021 and 2020 respectively. School year 2021 is the third year of operation. The General Fund equity ended the year at approximately \$1,351,091. The primary factors affecting the School's governmental funds' fund balance are listed below.

Factors Impacting Fund Equity

- *Student enrollment* – Proposal A tied state aid funding to student enrollment. The School's student count on which our foundation allowance was based was 235.41 State Aid membership for the 2020-21 school year, however the Fall Count was 458.53. The state approved an Increasing Enrollment categorical funding line item (29a) to supplement the state aid membership for schools who experienced an increase in their enrollment during the pandemic.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the Board of Directors approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. When the budget is prepared each year, several unknown factors exist. Estimates are used for such major items as student count, service provider contracts, state aid, staffing, utilities, and repairs. As a matter of practice, the School amends its budget periodically during the year. These revisions are made in order to deal with unexpected changes in revenues and expenditures.

Currently Known Facts

On March 10, 2020, Michigan's Governor issued an Executive Order, No. 2020-4 Declaring a State of Emergency in response to the novel coronavirus (COVID-19). Directly following was an Executive Order No. 2020-5 on March 13, 2020 that closed all elementary and secondary school buildings in the state. As a result, Uplift Michigan Academy experienced a considerable increase in enrollment for school year 2021. This enrollment trend has continued for the 2022 school year due in part to the COVID-19 DELTA variant.

Requests for Information

This financial report is designed to provide the School's parents, students, investors and creditors with a general overview of the School's finances, and to show how the School is accountable for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Travis Gostinger, CAO, Uplift Michigan Academy, W526 Division St, Stephenson, MI 49887, telephone number (313) 335-3218.

UPLIFT MICHIGAN ONLINE SCHOOL D/B/A UPLIFT MICHIGAN ACADEMY

STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,011,392
Due from other governmental units	700,212
Prepaid expenses	<u>52,846</u>
Total current assets	<u><u>1,764,450</u></u>

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 47,834
Unearned revenue	589
Other accrued expenses	<u>364,936</u>
Total current liabilities	413,359

Net Position

Unrestricted	<u>1,351,091</u>
Total liabilities and net position	<u><u>\$ 1,764,450</u></u>

UPLIFT MICHIGAN ONLINE SCHOOL D/B/A UPLIFT MICHIGAN ACADEMY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants	Revenues and Changes in Net Position
				Government Type Activities
Functions				
Instruction				
Basic programs	\$ 1,398,624	\$ -	\$ 102,753	\$ (1,295,871)
Added needs	301,253	-	199,010	(102,243)
Support services				
Pupil support services	202,076	-	72,839	(129,237)
Instructional staff support services	12,293	-	8,346	(3,947)
General administration	743,702	-	-	(743,702)
School administration	153,740	-	-	(153,740)
Business support services	121,874	-	-	(121,874)
Operations and maintenance	19,141	-	-	(19,141)
Central support services	531,464	-	-	(531,464)
Community services	40,478	-	24,287	(16,191)
Total primary government	<u>\$ 3,524,645</u>	<u>\$ -</u>	<u>\$ 407,235</u>	<u>(3,117,410)</u>
General Purpose Revenues				
State school aid - unrestricted				<u>3,518,942</u>
Change in net position				401,532
Net position - July 1, 2020				<u>949,559</u>
Net position - June 30, 2021				<u>\$ 1,351,091</u>

See accompanying notes to financial statements

UPLIFT MICHIGAN ONLINE SCHOOL D/B/A UPLIFT MICHIGAN ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS
JUNE 30, 2021

ASSETS

Cash and cash equivalents	\$	1,011,392
Due from other governmental units		700,212
Prepaid expenses		<u>52,846</u>
Total assets	\$	<u>1,764,450</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	47,834
Unearned revenue		589
Other accrued expenses		<u>364,936</u>
Total liabilities		413,359

Fund Balance

Nonspendable		52,846
Assigned		71,794
Unassigned		<u>1,226,451</u>
Total fund balance		<u>1,351,091</u>
Total liabilities and fund balance	\$	<u>1,764,450</u>

See accompanying notes to financial statements

UPLIFT MICHIGAN ONLINE SCHOOL D/B/A UPLIFT MICHIGAN ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2021

Revenues

State sources	\$ 3,724,845
Federal sources	186,332
Interdistrict sources	<u>15,000</u>
Total governmental fund revenues	3,926,177

Expenditures

Instruction	
Basic program	1,398,624
Added needs	301,253
Support services	
Pupil support services	202,076
Instructional staff support services	12,293
General administration	743,702
School administration	153,740
Business support services	121,874
Operations and maintenance	19,141
Central support services	531,464
Community services	<u>40,478</u>
Total governmental fund expenditures	<u>3,524,645</u>

Excess (deficiency) of revenues over expenditures	401,532
Fund balance - July 1, 2020	<u>949,559</u>
Fund balance - June 30, 2021	<u>\$ 1,351,091</u>

See accompanying notes to financial statements

UPLIFT MICHIGAN ONLINE SCHOOL D/B/A UPLIFT MICHIGAN ACADEMY

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Uplift Michigan Online School d/b/a Uplift Michigan 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

Uplift Michigan Online School d/b/a Uplift Michigan 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, on April 13, 2017, and began full school operations in July 2018.

In July 2017, the Academy entered into a seven-year contract with the Stephenson Area Public Schools Board of Education to charter 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 District’s Board of Education 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 the Stephenson Area Public Schools Board of Education three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2021 were approximately \$112,700.

The Academy entered into an agreement with NextLvl Management Consulting, LLC (“NxtLvl”) through June 30, 2024. Under the terms of this agreement, NextLvl will provide a variety of educational, administrative and operational services including payroll, human resources, budget and accounting services. The Academy is obligated to pay NextLvl 15.0 percent of its gross revenues for these services. Additionally NextLvl has contracted with another entity to assist in providing the above services. The Academy has agreed to compensate both entities separately for the above services received. The total paid for these services amounted to approximately \$896,400 for the year ended June 30, 2021.

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.

UPLIFT MICHIGAN ONLINE SCHOOL D/B/A UPLIFT MICHIGAN ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 Service)- The special revenue fund, which the Academy does not currently maintain, 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. The special revenue fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this 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:

UPLIFT MICHIGAN ONLINE SCHOOL D/B/A UPLIFT MICHIGAN ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- 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.

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.

UPLIFT MICHIGAN ONLINE SCHOOL D/B/A UPLIFT MICHIGAN ACADEMY

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

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, 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.

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.

UPLIFT MICHIGAN ONLINE SCHOOL D/B/A UPLIFT MICHIGAN ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 their 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.

UPLIFT MICHIGAN ONLINE SCHOOL D/B/A UPLIFT MICHIGAN ACADEMY

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

UPLIFT MICHIGAN ONLINE SCHOOL D/B/A UPLIFT MICHIGAN ACADEMY

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

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 general and special revenue fund budgets. During the year ended June 30, 2021 the budget was amended in a legally permissible manner. A comparison of appropriated revenues and expenditures versus actual for the year ended June 30, 2021 is detailed on page 14 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.

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. More than 5% of the Academy's investments are in pooled investment accounts which represents 100% of the Academy's total investments.

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, \$793,676 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.

UPLIFT MICHIGAN ONLINE SCHOOL D/B/A UPLIFT MICHIGAN ACADEMY

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

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

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.
- 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.

UPLIFT MICHIGAN ONLINE SCHOOL D/B/A UPLIFT MICHIGAN ACADEMY

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

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 664,562
Federal sources	<u>35,650</u>
Total	<u><u>\$ 700,212</u></u>

NOTE 5 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

Purchased services - payroll and benefits	\$ 183,950
Oversight and management fee	<u>180,986</u>
Total other accrued expenses	<u><u>\$ 364,936</u></u>

NOTE 6 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. 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 7 – 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

UPLIFT MICHIGAN ONLINE SCHOOL D/B/A UPLIFT MICHIGAN 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				
State sources	\$ 2,027,791	\$ 3,724,764	\$ 3,724,845	\$ 81
Federal sources	78,220	188,947	186,332	(2,615)
Interdistrict sources	-	-	15,000	15,000
Total general fund revenues	2,106,011	3,913,711	3,926,177	12,466
Expenditures				
Instruction				
Basic programs	1,092,541	1,394,541	1,398,624	4,083
Added needs	-	320,112	301,253	(18,859)
Support services				
Pupil support services	33,277	198,139	202,076	3,937
Instructional staff support services	6,541	8,346	12,293	3,947
General administration	439,990	744,166	743,702	(464)
School administration	135,711	145,145	153,740	8,595
Business support services	73,630	121,671	121,874	203
Operations and maintenance	18,500	10,427	19,141	8,714
Pupil transportation services	580	580	-	(580)
Central support services	349,321	568,789	531,464	(37,325)
Community services	-	40,524	40,478	(46)
Total general fund expenditures	2,150,091	3,552,440	3,524,645	(27,795)
Excess (deficiency) of revenues over expenditures	(44,080)	361,271	401,532	40,261
Fund balance - July 1, 2020	949,559	949,559	949,559	-
Fund balance - June 30, 2021	<u>\$ 905,479</u>	<u>\$ 1,310,830</u>	<u>\$ 1,351,091</u>	<u>\$ 40,261</u>

UPLIFT MICHIGAN ONLINE SCHOOL D/B/A UPLIFT MICHIGAN ACADEMY

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

State Sources

At risk	\$	110,961
Special education		94,942
State aid		<u>3,518,942</u>
Total state sources		3,724,845

Federal Sources

IDEA		17,207
Title I		61,515
Title II A		4,821
Title IV		18,525
Other program revenue		<u>84,264</u>
Total federal sources		186,332

Interdistrict Sources

		<u>15,000</u>
Total general fund revenues	\$	<u><u>3,926,177</u></u>

UPLIFT MICHIGAN ONLINE SCHOOL D/B/A UPLIFT MICHIGAN ACADEMY

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

Basic Programs

Purchased services	\$ 1,192,214
Repairs and maintenance	4,750
Rentals	22,790
Supplies and materials	<u>178,870</u>
Total basic programs	1,398,624

Added Needs

Purchased services	297,546
Repairs and maintenance	1,307
Supplies and materials	<u>2,400</u>
Total added needs	301,253

Pupil Support Services

Guidance services	68,250
Health services	18,596
Psychological services	62,675
Speech pathology and audiology	49,792
Other pupil services	<u>2,763</u>
Total pupil support services	202,076

Instructional Staff Support Services

Purchased services	12,293
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General Administration

Management fees	584,620
University oversight	112,735
Other expenditures	<u>46,347</u>
Total general administration	743,702

School Administration

Purchased services	150,749
Supplies and materials	2,059
Other expenditures	<u>932</u>
Total school administration	153,740

UPLIFT MICHIGAN ONLINE SCHOOL D/B/A UPLIFT MICHIGAN ACADEMY

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

Business Support Services

Purchased services	117,638
Repairs and maintenance	4,167
Supplies and materials	<u>69</u>
Total business support services	121,874

Operations and Maintenance

Rentals	19,141
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Central Support Services

Purchased services	515,504
Repairs and maintenance	7,787
Supplies and materials	1,228
Other expenditures	<u>6,945</u>
Total central support services	531,464

Community Services

Purchased services	<u>40,478</u>
Total general fund expenditures	<u>\$ 3,524,645</u>