

UNION DAY SCHOOL, INC.

Audited Financial Statements

June 30, 2020

UNION DAY SCHOOL, INC.

Matthews, North Carolina

Audited

Financial Statements

For

The Year Ended

June 30, 2020

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Union Day School, Inc.

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As of June 30, 2020

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FINANCIAL SECTION



POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Union Day School, Inc.
Matthews, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Union Day School, Inc.**, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise **Union Day School, Inc.**'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.

Auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Union Day School, Inc.** as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof 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 Management's Discussion and Analysis on pages 8-13 be presented to supplement the basic financial statements. Such information, although not 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 historic 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Union Day School, Inc.**'s basic financial statements. The combining and individual non-major fund financial statement, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Implementation Act*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, is 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 combining and individual non-major fund financial statements, budgetary schedules, other schedules, and the accompanying Schedule of Expenditures of Federal and State 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 January 29, 2021, on our consideration of **Union Day School, Inc.**'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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Union Day School, Inc.**'s internal control over financial reporting and compliance.

Potter & Company, P.A.

January 29, 2021
Concord, North Carolina

Management's Discussion and Analysis
Union Day School, Inc.
June 30, 2020

As management of Union Day School, Inc., we offer readers of Union Day School, Inc.'s financial statements this narrative overview and analysis of the financial activities of Union Day School, Inc. for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the School's financial statements which follow this narrative.

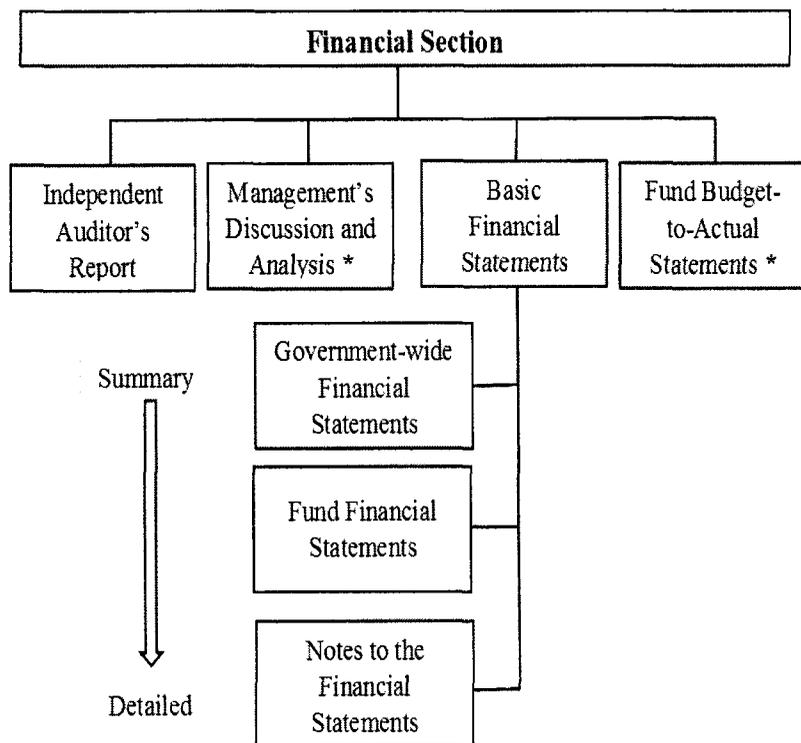
Financial Highlights

- The liabilities and deferred inflows of resources of Union Day School, Inc. exceeded its assets at the close of the fiscal year by \$499,299.
- The government's total net position decreased by \$580,379.
- As of the close of the current fiscal year, the Union Day School, Inc.'s governmental funds reported combined ending fund balances of \$2,452,772, a decrease of \$1,316,842.
- Enrollment was 436 for the year ended June 30, 2020.
- As described in Note VI. The School reports the Union Day School Foundation, Inc. as a blended component unit of the School.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Union Day School, Inc.'s basic financial statements. The School's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Union Day School, Inc.

Required Components of Annual Financial Report



* Required Supplementary Information

Figure 1

Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the School's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the School's individual funds. Budgetary information for the School also can be found in this section of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and how they have changed. Net position is the difference between the School's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the School's financial condition.

Management Discussion and Analysis
Union Day School, Inc.
June 30, 2020

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the School's basic functions such as instructional services and business services. State, county, and federal funds provide virtually all of the funding for these functions. The business-type activities are those services for which the School charges its students to provide. These include the Child Care services offered by Union Day School, Inc.

The government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Union Day School, Inc., like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the School's budget ordinance. All of the funds of Union Day School can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the School's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Union Day School, Inc. adopts an annual budget for each of its funds, although it is not required to do so by the General Statutes. Because the budget is not legally required by the Statutes, the budgetary comparison statement is not included in the basic financial statements, but is part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the School in determining what activities will be pursued and what services will be provided by the School during the year. It also authorizes the School to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for each of the funds demonstrates how well the School has complied with the budget ordinance and whether or not the School has succeeded in providing the services as planned when the budget was adopted.

Proprietary Funds – Union Day School, Inc. has one proprietary fund, which is an enterprise fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Union Day School, Inc. uses an enterprise fund to account for its child care functions.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

Government-Wide Financial Analysis

The financial analysis reveals that at June 30, 2020 cash and cash equivalents, and restricted bond funds, accounted for 8.0% and 10.2% of total government-wide assets, respectively. Capital assets, net of accumulated depreciation, accounted for 81.3% of total assets. Long-term liabilities represent 94.1% of total liabilities.

Management Discussion and Analysis
Union Day School, Inc.
June 30, 2020

As noted earlier, net position may, over time, serve as one useful indicator of a school's financial condition. The liabilities and deferred inflows of resources of the School exceeded its assets by \$499,299 as of June 30, 2020. As of June 30, 2019, the net position of the School stood at \$81,080. The School's net position decreased by \$580,379 for the fiscal year ended June 30, 2020, compared to an decrease of \$419,448 in 2019.

A condensed statement of net position which summarizes the assets, liabilities and net position at June 30, 2020 and 2019 is as follows:

Union Day School's Condensed Statement of Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 2,658,956	\$ 4,238,085	\$ 111,807	\$ 82,196	\$ 2,770,763	\$ 4,320,281
Capital assets	12,076,569	11,110,817	-	-	12,076,569	11,110,817
Total assets	\$ 14,735,525	\$ 15,348,902	\$ 111,807	\$ 82,196	\$ 14,847,332	\$ 15,431,098
Long-term liabilities outstanding	\$ 14,440,000	\$ 14,650,000	\$ -	\$ -	\$ 14,440,000	\$ 14,650,000
Other liabilities	903,506	696,218	-	415	903,506	696,633
Total liabilities	\$ 15,343,506	\$ 15,346,218	\$ -	\$ 415	\$ 15,343,506	\$ 15,346,633
Deferred Inflows of Resources	\$ 3,125	\$ 3,385	\$ -	\$ -	\$ 3,125	\$ 3,385
Net Position:						
Net investment in capital assets	\$ (1,066,359)	\$ (537,241)	\$ -	\$ -	\$ (1,066,359)	\$ (537,241)
Unrestricted	455,253	536,540	111,807	81,781	567,060	618,321
Total Net Position	\$ (611,106)	\$ (701)	\$ 111,807	\$ 81,781	\$ (499,299)	\$ 81,080

Several particular aspects of the School's financial operations positively influenced the total unrestricted governmental net position.

- The School adopted an annual budget for all funds except for fundraising. The School's performance was measured using these budgets on a monthly basis, allowing changes in spending as needed to stay within the budget.
- The School applied for and was awarded several federal grants to assist with the expenses of meeting the education needs of special needs children.

Revenues, expenses, transfers and the change in net position is summarized in the following condensed statement of activities for the years ended June 30, 2020 and 2019:

Union Day School Condensed Statement of Activities

Figure 3

	Governmental Governmental Activities		Business-type Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 69,183	\$ 118,629	\$ 69,183	\$ 118,629
Operating grants and contributions	96,773	69,719	-	-	96,773	69,719
General revenues:						
County and State funds	3,720,567	3,979,330	-	-	3,720,567	3,979,330
Other	1,015,791	957,608	-	-	1,015,791	-
Total revenues	4,833,131	5,006,657	69,183	118,629	4,902,314	4,167,678
Expenses:						
Instructional services	2,877,707	2,832,771	-	-	2,877,707	2,832,771
System-wide support services	1,644,211	1,956,160	-	-	1,644,211	1,956,160
Child care	-	-	39,157	61,728	39,157	61,728
Interest on long-term debt	921,618	694,075	-	-	921,618	694,075
Total expenses	5,443,536	5,483,006	39,157	61,728	5,482,693	5,544,734
Increase in net position	(610,405)	(476,349)	30,026	56,901	(580,379)	(419,448)
Net position, July 1,	(701)	475,648	81,781	24,880	81,080	500,528
Net position, June 30	\$ (611,106)	\$ (701)	\$ 111,807	\$ 81,781	\$ (499,299)	\$ 81,080

Governmental activities: Governmental activities decreased the School's net position by \$610,405.

Business-type activities: Business-type activities increased the Union Day School, Inc.'s net position by \$30,026.

Financial Analysis of the School's Funds

As noted earlier, the Union Day School, Inc. uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Union Day School, Inc.'s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Union Day School's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Union Day School, Inc. At the end of the current fiscal year, the assets in the General Fund consisted primarily of cash and cash equivalents which equaled 94.3% of total fund assets. Accrued salaries accounted for 79.5% of total fund liabilities. The unassigned fund balance of the General Fund was \$919,251, while total fund balance of the General Fund was \$925,006, an increase of \$101,940. The primary source, 90.9%, of General Fund revenue was \$1,059,659 in reimbursements by various counties for their students attending the School.

Proprietary Funds. The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Child Care fund at the end of the fiscal year was \$111,807.

Capital Asset and Debt Administration

Capital assets. Union Day School, Inc. and the Foundation net investment in capital assets for its governmental and business-type activities as of June 30, 2020 is \$12,076,569. These operational assets include: land, buildings, equipment, and furniture.

Management Discussion and Analysis
Union Day School, Inc.
June 30, 2020

Union Day School, Inc.
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 293,500	\$ 293,500	\$ -	\$ -	\$ 293,500	\$ 293,500
Construction in Progress	-	3,167,341	-	-	-	3,167,341
Buildings	11,732,477	7,639,385	-	-	11,732,477	7,639,385
Technology and office equipment	50,592	10,591	-	-	50,592	10,591
Total	\$ 12,076,569	\$ 11,110,817	\$ -	\$ -	\$ 12,076,569	\$ 11,110,817

Long-term Debt. As of June 30, 2020, the Union Day School had total debt outstanding of \$14,650,000. The debt consists of the Series 2018 Bonds as of June 30, 2020.

Union Day School, Inc.'s Outstanding Debt
Note Payable

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Bond Debt	14,650,000	14,840,000	-	-	14,650,000	14,840,000
Compensated absences	-	41,132	-	-	-	41,132
Total long term obligations	\$ 14,650,000	\$14,881,132	\$ -	\$ -	\$ 14,650,000	\$ 14,881,132

Economic Factors

The following key economic indicators reflect the growth and prosperity of the School:

- Enrollment was at 436 students on June 30, 2020 for grades K-6. For 2020-2021 the School was K-7 with 565 students.
- Union Day School will continue to grow one grade a year.

Impact of Coronavirus on School

During this fiscal year, the effects of the coronavirus was felt nationwide. Union Day School's response to the coronavirus included going into a remote learning model per governor's mandate. This caused the school to move school operations and learning to a virtual environment from March to the end of the school year. Union Day School had to quickly adjust to a virtual environment by making additional purchases to support remote learning and teaching. Additional purchases were made such as technology, cleaning supplies and personal protective equipment. The financial effects the coronavirus has had on Union Day school was the cancellation of various revenue generating programs such as Before/Aftercare and Enrichment, athletics and fundraising events that were planned through the remainder of the school year. To help offset the cost of operating during this pandemic, Union Day School received federal and state grants provided in response to the coronavirus. Although there were savings in certain areas of our budget the school still was impacted by the shift that had to be made in response to moving school to a virtual environment and make sure the school could operate safely during the coronavirus.

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director, Union Day School, 3000 Tilley Morris Road, Matthews, NC 28104.

FINANCIAL STATEMENTS

UNION DAY SCHOOL, INC.
STATEMENT OF NET POSITION
June 30, 2020

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,075,982	\$ 111,807	\$ 1,187,789
Due from other governments	59,147	-	59,147
Security deposits	11,000	-	11,000
Prepays	5,755	-	5,755
Restricted Bond funds	1,507,072	-	1,507,072
Total current assets	2,658,956	111,807	2,770,763
Noncurrent assets			
Capital assets			
Land	293,500	-	293,500
Other capital assets, net of depreciation	11,783,069	-	11,783,069
Total noncurrent assets	12,076,569	-	12,076,569
Total Assets	14,735,525	111,807	14,847,332
LIABILITIES			
Current liabilities:			
Accounts payable	41,670	-	41,670
Accrued salaries and taxes payable	161,389	-	161,389
Refundable advance - PPP loan	490,447	-	490,447
Due within one year	210,000	-	210,000
Total current liabilities	903,506	-	903,506
Long-term liabilities:			
Due in more than one year	14,440,000	-	14,440,000
Total noncurrent liabilities	14,440,000	-	14,440,000
Total Liabilities	15,343,506	-	15,343,506
DEFERRED INFLOWS OF RESOURCES	3,125	-	3,125
NET POSITION			
Net investment in capital assets	(1,066,359)	-	(1,066,359)
Unrestricted	455,253	111,807	567,060
Total Net Position	\$ (611,106)	\$ 111,807	\$ (499,299)

The accompanying notes are an integral part of this statement.

UNION DAY SCHOOL, INC.
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2020

Exhibit 2

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Expenses	Program Revenues		Primary Government		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total Governmental Activities
Primary government:						
Governmental Activities:						
Instructional services	\$ 2,877,707	\$ -	\$ 96,773	\$ (2,780,934)	\$ -	\$ (2,780,934)
System-wide support services	1,644,211	-	-	(1,644,211)	-	(1,644,211)
Interest on long-term debt	921,618	-	-	(921,618)	-	(921,618)
Total governmental activities	<u>5,443,536</u>	<u>-</u>	<u>96,773</u>	<u>(5,346,763)</u>	<u>-</u>	<u>(5,346,763)</u>
Business-type activities:						
Child Care	39,157	69,183	-	-	30,026	30,026
Total business-type activities	<u>39,157</u>	<u>69,183</u>	<u>-</u>	<u>-</u>	<u>30,026</u>	<u>30,026</u>
Total primary government	<u>\$ 5,482,693</u>	<u>\$ 69,183</u>	<u>\$ 96,773</u>	<u>(5,346,763)</u>	<u>30,026</u>	<u>(5,316,737)</u>
General revenues:						
Unrestricted county appropriations				1,059,659	-	1,059,659
Unrestricted State appropriations				2,660,908	-	2,660,908
Miscellaneous, unrestricted				1,015,791	-	1,015,791
Total general revenues, special items, and transfers				<u>4,736,358</u>	<u>-</u>	<u>4,736,358</u>
Change in net position				(610,405)	30,026	(580,379)
Net position - beginning				(701)	81,781	81,080
Net position - ending				<u>\$ (611,106)</u>	<u>\$ 111,807</u>	<u>\$ (499,299)</u>

The accompanying notes are an integral part of this statement.

UNION DAY SCHOOL, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

Exhibit 3

	Major Funds			Non-Major Funds	Totals
	General	State Public School	Foundation	Federal Grants	Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,066,288	\$ -	\$ 9,694	\$ -	\$ 1,075,982
Due from other governments	59,147		-	-	59,147
Security deposit	-		11,000	-	11,000
Prepays	5,755		-	-	5,755
Restricted Bond funds	-	-	1,507,072	-	1,507,072
Total Assets	\$ 1,131,190	\$ -	\$ 1,527,766	\$ -	\$ 2,658,956
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 41,670	\$ -	\$ -	\$ -	\$ 41,670
Accrued salaries and taxes payable	161,389	-	-	-	161,389
Total Liabilities	203,059	-	-	-	203,059
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	3,125	-	-	-	3,125
Fund Balances:					
Nonspendable:					
Prepays	5,755	-	-	-	5,755
Security deposit	-	-	11,000	-	11,000
Assigned for Capital Outlay	-	-	1,507,072	-	1,507,072
Unassigned	919,251	-	9,694	-	928,945
Total Fund Balances	925,006	-	1,527,766	-	2,452,772
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,131,190	\$ -	\$ 1,527,766	\$ -	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,076,569
Refundable advance - PPP loan	(490,447)
Some liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds (Note 3).	<u>(14,650,000)</u>
Net position of governmental activities	\$ <u>(611,106)</u>

The accompanying notes are an integral part of this statement.

UNION DAY SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

Exhibit 4

	Major Funds			Non-Major Funds	Total
	General	State Public School	Foundation	Federal Grants	Governmental Funds
Revenues					
State of North Carolina	\$ -	\$ 2,660,908	\$ -	\$ -	\$ 2,660,908
U. S. Government	-	1,350	-	95,423	96,773
County Appropriations	1,059,659	-	-	-	1,059,659
Other	106,580	-	909,211	-	1,015,791
Total Revenues	1,166,239	2,662,258	909,211	95,423	4,833,131
Expenditures					
Current:					
Instructional services	505,583	2,088,468	-	95,423	2,689,474
System-wide support services	1,005,396	573,790	39,540	-	1,618,726
Capital outlay	43,767	-	1,176,835	-	1,220,602
Debt service:					
Principal	-	-	190,000	-	190,000
Interest	-	-	921,618	-	921,618
Total Expenditures	1,554,746	2,662,258	2,327,993	95,423	6,640,420
Excess (deficiency) of revenues over expenditures	(388,507)	-	(1,418,782)	-	(1,807,289)
Other Financing Sources (Uses)					
PPP Loan proceeds	490,447	-	-	-	490,447
Total other financing sources (uses)	490,447	-	-	-	490,447
Net change in fund balance	101,940	-	(1,418,782)	-	(1,316,842)
Fund Balances:					
Beginning of Period, restated	823,066	-	2,946,548	-	3,769,614
End of Period	\$ 925,006	\$ -	\$ 1,527,766	\$ -	\$ 2,452,772

The accompanying notes are an integral part of this statement.

UNION DAY SCHOOL, INC.

Exhibit 5

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020**

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

Net changes in fund balances - total governmental funds \$ (1,316,842)

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was greater than capital outlays in the current period. 965,752

The issuance of refundable advance provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. (490,447)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. 190,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences 41,132

Total changes in net position of governmental activities \$ (610,405)

The accompanying notes are an integral part of this statement.

UNION DAY SCHOOL, INC.
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2020

Exhibit 6

	Enterprise Fund Child Care
ASSETS	<hr/>
Cash and cash equivalents	\$ 111,807
Total Assets	<hr/> 111,807 <hr/>
LIABILITIES	
Accrued wages and taxes payable	-
Total Liabilities	<hr/> - <hr/>
NET POSITION	
Unrestricted	111,807
Total Net Position	<hr/> \$ 111,807 <hr/>

The accompanying notes are an integral part of this statement.

UNION DAY SCHOOL, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2020

Exhibit 7

	Enterprise Fund Child Care
OPERATING REVENUES	
Child care fees	\$ 69,183
Total operating revenues	69,183
 OPERATING EXPENSES	
Salaries and benefits	10,073
Contract services	28,452
Supplies	632
Total operating expenses	39,157
Operating income	30,026
Change in net position	30,026
Total net position-beginning of year	81,781
Total net position-end of year	\$ 111,807

The accompanying notes are an integral part of this statement.

UNION DAY SCHOOL, INC.
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2020

Exhibit 8

	Enterprise Fund Child Care
CASH FLOW FROM OPERATING ACTIVITIES	
Cash received for child care services	\$ 69,285
Cash paid for goods and services	(29,084)
Cash paid to employees for services	(10,488)
Net cash provided by operating activities	29,713
Net increase in cash and cash equivalents	29,713
Cash, beginning of period	82,094
Cash, end of period	\$ 111,807
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 30,026
Adjustments to reconcile operating income to net cash provided by operating activities	
Accounts receivable	102
Accrued wages	(415)
Net cash provided by operating activities	\$ 29,713

The accompanying notes are an integral part of this statement.

UNION DAY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of **Union Day School, Inc.** (the School) conform to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities, such as Union Day School, Inc. Because of the authority of the State Board of Education (the “SBE”) to terminate, not renew or seek applicants to assume a charter on grounds set out in the North Carolina General Statutes at G.S. 115C-218.95 with all net assets purchased with public funds reverting to a local education agency (G.S. 115C-218.100), the charter schools in North Carolina follow the governmental reporting model as used by local education agencies. The following is a summary of the more significant accounting policies.

A. Reporting Entity

Union Day School, Inc. is a North Carolina non-profit corporation incorporated in April 2016. Pursuant to the provisions of the Charter School Act of 1996 as amended (the “Act”), the School has been approved to operate the Union Day School, a public school serving approximately 440 students. The School operates under an approved charter received from the SBE, and applied for under the provisions of G.S. 115C-218.1. G.S. 115C-218.6(b)(1) states that a charter school shall be subject to the audit requirements adopted by the SBE, which includes the audit requirements established by G.S. 115C-447 of the School Budget and Fiscal Control Act (SBFCA), and requires financial statements to be prepared in accordance with GAAP. The current charter is effective until June 30, 2026 and may be renewed for subsequent periods of ten (10) years unless one of the conditions in G.S. 115C-218.6(b) applies in which case the SBE may renew the charter for a shorter period or not renew the charter. Management believes the charter will be renewed in the ordinary course of business.

Union Day School Foundation, Inc. (the “Foundation”) was formed in 2017 as a North Carolina non-profit corporation. The Foundation was created primarily as a vehicle to finance and own real estate and school facilities utilized by the School. GASB Statement No. 14 as amended, The Financial Reporting Entity, requires blending when 1) a component unit’s governing body is substantively the same as the governing body of the primary government, 2) a component unit provides services entirely, or almost entirely, to the primary government, or 3) a component unit’s total debt outstanding, including leases, is expected to be repaid entirely, or almost entirely, with resources of the primary government. The outstanding debt of the Foundation is expected to be repaid from the lease payments received from the School. Therefore, the Foundation is reported as a blended component unit in a special revenue fund in the School’s financial statements. The Foundation did not issue separate financial statements.

Union Day School, Inc. and Union Day School Foundation, Inc. have been recognized by the Internal Revenue Service as exempt from federal income taxation under section 501(a) of the Internal Revenue Code as organizations described in section 501(c)(3).

B. Basis of Presentation

In accordance with GASB Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments (“GASB 34”), the School is a special-purpose government that is engaged in governmental activities and is not a component unit of another government. Therefore, the financial statements are prepared in the same manner as general purpose governments.

UNION DAY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

I. Summary of Significant Accounting Policies - Continued

Government-wide Statements: The statement of net position and the statement of activities display information about the School and its component unit. These statements include the financial activities of the overall entity. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between *governmental* and *business-type* activities of the School. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the School and for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the School's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The School reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

State Public School Fund. The State Public School Fund includes appropriations from the Department of Public Instruction for specific operating needs of the public school system and is reported as a special revenue fund.

Foundation Fund. The Foundation Fund was created primarily as a vehicle to finance and own real estate and school facilities utilized by the School.

The School reports the following non-major governmental fund:

Federal Grants Fund. The Federal Grants Fund includes grants from the U.S. Department of Education for various special programs.

UNION DAY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

I. Summary of Significant Accounting Policies - Continued

The School reports the following non-major enterprise funds:

Child Care Fund. The Child Care Fund is used to account for the before and after school care program within the School.

C. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

D. Budgetary Data

Annual budgets are adopted for all funds in total. Budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations for all of the School's funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget presented in the supplemental information represents the budget of the School at June 30, 2020 and is presented as adopted by the Board. All appropriations lapse at year end.

E. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the School are made in local banks, whose accounts are FDIC insured up to \$250,000 per depositor.

UNION DAY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

I. Summary of Significant Accounting Policies - Continued

2. Cash and Cash Equivalents

The School pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and investments with original maturities of three months or less are considered cash and cash equivalents.

3. Capital Assets

The School's donated assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the School to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items which are purchased and used in large quantities such as student desks and office furniture are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Technology and school furniture and equipment	10

4. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School has one item that meets this criterion for this category: unavailable revenue in the General Fund.

5. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

I. Summary of Significant Accounting Policies - Continued

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated paid time-off balances.

Union Day School, Inc. recognizes the need for employees to have time off from their jobs for rest and relaxation. Employees are eligible for paid time off (PTO) effective when employed and are given 10 PTO days in a calendar year for ten-month employees and a total of 12 PTO days in a calendar year for twelve-month employees. All time will be given at the start of the school year. These days may be used for sick or personal leave.

Unused days may be carried over in the next employment year up to a maximum of 30 days. Due to a change in School policy effective July 1, 2019, upon separation of service, an employee will not be entitled to payment for any unused/accumulated PTO days. Therefore, no accrual is included in the financial statements.

7. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors or contributors, or laws or regulations of other governments, or imposed by law through State statute.

Fund Balance

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The School has nonspendable fund balance for prepaid expenses and a security deposit.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law. The School has no restricted fund balance imposed by creditors or imposed by law.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes imposed by majority vote of the School’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing bodies that approved the original action. The School did not have any committed fund balance.

Assigned fund balance – That amount of the fund balance that the School intends to use for specific purposes. The School has assigned fund balance for capital outlay expenditures.

Unassigned fund balance – The portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the General Fund.

UNION DAY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

I. Summary of Significant Accounting Policies - Continued

8. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between governmental funds' total fund balance and governmental activities' net position reported in the government-wide statement of net position. The net adjustment of \$(3,063,878) consists of several elements as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 12,564,351
Less accumulated depreciation	(487,782)
Refundable advance – PPP loan	(490,447)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements	<u>(14,650,000)</u>
Total adjustment	<u>\$ (3,063,878)</u>

9. Accounting for Uncertainty in Income Taxes

The School has adopted ASC 740-10 as it relates to uncertain tax positions for the year ended June 30, 2020 and have evaluated their tax positions taken for all open tax years. However, the School is not currently under audit nor has the School been contacted by these jurisdictions. Based on the evaluation of the School's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year end June 30, 2020.

10. Estimates

The School's management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect reported amounts of asset and liabilities and reported revenues and expenses. Actual results could differ from those estimates.

F. Revenues, Expenditures, and Expenses

1. Funding

Union Day School, Inc. is funded by the State Board of Education, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the school is located (Union County School) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-218.105(a)].

UNION DAY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

I. **Summary of Significant Accounting Policies - Continued**

Subject to certain limitation, funds allocated by the SBE may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for charter schools and may be used for payments on loans made to charter schools for facilities, equipment, or operations (G.S. 115C-218.105(b)).

Additionally, the School receives for each student an amount equal to the per pupil share of the local current expense fund of the local school administrative unit in which the child resides (G.S.115C-218.105(c)). Amounts transferred that consist of revenue from supplemental taxes shall be transferred only to a charter school located in the district where the taxes are levied and the child resides.

For the fiscal year ended June 30, 2020, **Union Day School, Inc.** received funding from the Boards of Education for Union County Schools, Anson County Schools, Cabarrus County Schools, Cleveland County Schools, and Charlotte-Mecklenburg Schools.

Furthermore, **Union Day School, Inc.** has received donations of cash and/or equipment from private organizations and individuals. The cash has been used primarily for the purchase of new assets or various costs related to the construction of a new school facility.

2. **Reconciliation between government-wide and fund statements**

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by reconciliation between the change in fund balance of the governmental funds and the change in net position of the governmental activities as reported on the government-wide statement of activities. The net difference of \$706,437 between the two amounts consists of the following elements:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 1,220,602
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(254,850)
Principal payments on debt and capital leases owed are recorded as a use of funds in the fund statements but affect only the statement of net position in the government-wide statements	190,000
PPP- Loan obtained during the year is recorded as a source of funds on the fund statements but affects only the statement of net position in the government-wide statements	(490,447)
Expenses reported in the statement of activities that do not require the use of current resources are not recorded as expense in the fund statements – compensated absences	<u>41,132</u>
Total	<u>\$ 706,437</u>

UNION DAY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

II. Detail Notes on All Funds

A. Assets

1. Deposits and Investments

At June 30, 2020, the School and Foundation have deposits with banks and savings and loans with a carrying amount of \$1,187,489. The bank balance with the financial institutions was \$1,198,601. Of the bank balance, \$264,514 was covered by federal depository insurance and \$934,087 was not insured. The School does not have a deposit policy for custodial credit risk.

Cash on hand totaled \$300.

2. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 293,500	\$ -	\$ -	\$ -	\$ 293,500
Construction in process	3,167,341	-	-	(3,167,341)	-
Total capital assets not being depreciated	<u>3,460,841</u>	<u>-</u>	<u>-</u>	<u>(3,167,341)</u>	<u>293,500</u>
Capital assets being depreciated:					
Buildings	7,871,248	1,176,835	-	3,167,341	12,215,424
Technology & office equipment	11,660	43,767	-	-	55,427
Total capital assets being depreciated	<u>7,882,908</u>	<u>1,220,602</u>	<u>-</u>	<u>3,167,341</u>	<u>12,270,851</u>
Less accumulated depreciation for:					
Buildings	231,863	251,084	-	-	482,947
Technology & office equipment	1,069	3,766	-	-	4,835
Total accumulated depreciation	<u>232,932</u>	<u>\$ 254,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>487,782</u>
Total capital assets being depreciated, net	<u>7,649,976</u>				<u>11,783,069</u>
Governmental activity capital assets, net	<u>\$11,110,817</u>				<u>\$ 12,076,569</u>

Depreciation expense was charged to governmental functions as follows:

Instructional services	\$ 229,365
System-wide supporting services	25,485
	<u>\$ 254,850</u>

3. Bond Funds

With the issuance of the Series 2018 Bonds, the financial institution required several restricted deposit funds to be created in order to comply with the loan agreement. The funds are described as follows:

Debt service reserve – To be used to pay principal and interest on the bonds in the event that there are not sufficient funds in the bond fund. The balance of the debt service reserve was \$1,119,989 at June 30, 2020.

UNION DAY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

II. **Detail Notes on All Funds - Continued**

2018A and 2018B Bond funds – To be used to pay principal and interest payments on the bonds. The balance of the two bond funds was \$20,305 at June 30, 2020.

Project fund – To be used to make disbursements for approved building and land projects. The bulk of the proceeds from the bonds were deposited into this fund. The balance of the project fund was \$228,923 at June 30, 2020.

Construction Reserve Fund – Set up for a temporary time period to pay for a DOT project. The balance of the construction reserve fund was \$137,855 at June 30, 2020.

B. **Liabilities**

1. **Pension Plan Obligations**

a. Retirement Plan

Union Day School, Inc. has adopted a tax deferred annuity retirement plan under Internal Revenue Code section 401(k). The Union Day School Retirement Plan (The Plan) is a defined contribution plan and is administered by TD Ameritrade. The Plan was effective July 1, 2016. All full-time and part-time employees who have reached age 21 are eligible to participate in the Plan. **Union Day School, Inc.** will match employee contributions up to 4% or a maximum of \$2,400. The employee may make voluntary contributions, pursuant to a salary reduction agreement, of a percentage of annual compensation not to exceed the limits set by the Internal Revenue Code.

At June 30, 2020, all eligible employees of the School were included in the Plan. **Union Day School, Inc.** made all required contributions. For the year ended June 30, 2020, the pension cost to the School was \$44,487, with members contributing \$83,874.

2. **Risk Management**

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier. The School also maintains a \$2 million umbrella policy.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past two fiscal years.

3. **Refundable Advances**

Paycheck Protection Program Loan -The School received a loan in the amount of \$490,447 under the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The School expects to meet the eligibility criteria to have the loan forgiven in the fiscal year ending June 30, 2021 and has elected to follow the grant model under FASB ASU 958-605 to account for this loan as a conditional contribution. The full amount of conditional contribution will not be recognized until the conditions are substantially met or waived. Therefore, the PPP loan is being recorded as a refundable advance on the Statement of Net Position. The School will recognize contribution income from the PPP loan once forgiveness on the loan by the SBA is actually received.

UNION DAY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

II. Detail Notes on All Funds - Continued

4. Long-term Liabilities

Bonds Payable – Series 2018

Series 2018 Bonds- On November 1, 2018, the Public Finance Authority of Wisconsin issued its Charter School Revenue Bonds Series 2018A and Series 2018B in the aggregate principal amount of \$14,840,000 (“Series 2018 Bonds”) with final maturity on June 30, 2048. Such proceeds were used to finance, refinance or reimburse the School and the Foundation for the costs of the acquisition, construction, improvement, and equipping the School facilities of **Union Day School, Inc.**

As of June 30, 2020, debt service requirements of the outstanding bonds, assuming current interest rates as of June 30, 2020 remain the same in the future years, were as follows:

Year Ending June 30	Variable Rate Bonds		Total
	Principal	Interest	
2021	\$ 210,000	\$ 909,597	\$ 1,119,597
2022	220,000	896,316	1,116,316
2023	235,000	882,382	1,117,382
2024	250,000	867,911	1,117,911
2025	265,000	852,480	1,117,480
2026-2030	1,585,000	3,996,353	5,581,353
2031-2035	2,140,000	3,441,863	5,581,863
2036-2040	2,890,000	2,692,025	5,582,025
2041-2045	3,890,000	1,678,754	5,568,754
2046-2048	2,965,000	376,864	3,341,864
	<u>\$ 14,650,000</u>	<u>\$ 16,594,545</u>	<u>\$ 31,244,545</u>

The arrangement with the financial institution includes certain financial covenant requirements, including maintaining a coverage ratio of no less than 1.2 to 1.0 and a liquidity covenant to maintain at least 45 days cash on hand. The financial institution waived the financial covenant requirement for the year ended June 30, 2020. The calculations of the covenants for the year ended June 30, 2020, are as follows:

Coverage Ratio:	
Revenues of the School (Lessee)	\$ 3,993,103
PPP Loan (Lessee)	490,447
Minus: Operating expenses of the School (Lessee)	(4,271,065)
Plus: Depreciation	4,380
Base lease payments	<u>881,213</u>
Net Income Available for Debt Service (A)	<u>\$ 1,098,078</u>
Debt Service:	
Maximum Annual Debt Service (B)	<u>\$ 1,119,988</u>
Resulting Debt Service Coverage Ratio (A/B)	0.98
Minimum Required Ratio	1.10

UNION DAY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

II. Detail Notes on All Funds - Continued

Liquidity:		
	Unrestricted Cash of School	<u>\$ 1,178,395</u>
	Minimum Required (Net operating expenses of \$4,266,685 / 365 days times 45 days)	<u>\$ 526,030</u>

4. Changes in General Long-Term Obligations

The following is a summary of the changes in the School's general long-term obligations for the year ended June 30, 2020:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion
Governmental activities:					
Bond Payable – Series 2018	\$ 14,840,000	\$ -	\$ 190,000	\$ 14,650,000	\$ 210,000
Compensated absences	41,132	-	41,132	-	-
Total	<u>\$ 14,881,132</u>	<u>\$ 13,737</u>	<u>\$ 231,132</u>	<u>\$ 14,650,000</u>	<u>\$ 210,000</u>

5. Fund Balance

Union Day School, Inc. has a revenue spending policy that provides guidance for programs with multiple revenue sources. Resources are used in the following hierarchy: Federal funds, State funds, local funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the School.

III. Summary Disclosure of Significant Contingencies and Commitments

Federal and State Assisted Programs

The School has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Contingencies

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation and its potential impact on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global resources to curb its spread, the School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

*UNION DAY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020*

IV. Related Party Transactions

A spouse of a Board Member is contracted to provide after school enrichment classes for the School. He was paid a total of \$6,404 from the Child Care Fund.

An individual hired as a consultant of the School is a relative of a Board Member. He was paid a total of \$1,050 from the State Public School Fund.

An hourly office employee of the School is a relative of a Board Member. She was paid a total salary of \$975 from the State Public School Fund.

V. Subsequent Events

Management has evaluated subsequent events through January 29, 2021, the date the financial statements were available to be issued.

SUPPLEMENTARY SCHEDULE

UNION DAY SCHOOL, INC.

Schedule 1

COMBINED SCHEDULE OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE-BUDGET TO ACTUAL-ALL FUNDS

For the Year Ended June 30, 2020

	Total	Final	Favorable
	All Funds	Budget	(Unfavorable)
			Variance
REVENUES			
State revenue	\$ 2,660,908	\$ 2,675,584	\$ (14,676)
Federal revenue	96,773	98,112	(1,339)
County revenue	1,059,659	1,059,659	-
Child care	69,183	69,183	-
Other	1,015,791	106,579	909,212
Loan proceeds	490,447	490,447	-
Total Revenue	<u>5,392,761</u>	<u>4,499,564</u>	<u>893,197</u>
EXPENDITURES			
Salaries and bonuses	2,945,103	2,065,889	(879,214)
Benefits	401,728	401,881	153
Books and supplies	94,414	94,915	501
Contracted student services	152,741	152,741	-
Non-capital equipment and leases	29,896	29,896	-
Technology	35,498	35,498	-
Staff development	13,800	15,989	2,189
Administrative services	169,948	169,948	-
Insurances	61,788	50,560	(11,228)
Rent and debt services	1,111,618	881,213	(230,405)
Facilities	164,804	136,492	(28,312)
Utilities (Water, Electric, Telephone)	113,466	113,466	-
Nutrition	1,213	1,213	-
Transportation and travel	91,058	91,058	-
Before and after school	39,157	39,157	-
Capital equipment & purchases	1,220,602	43,767	(1,176,835)
Athletic programs	6,561	6,561	-
IB Program	8,237	8,237	-
COVID-19	17,945	29,119	11,174
Total Expenditures	<u>6,679,577</u>	<u>4,367,600</u>	<u>(2,311,977)</u>
Revenues Over (Under) Expenditures	(1,286,816)	<u>\$ 131,964</u>	<u>\$ (1,418,780)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay	1,220,602		
Net debt issued	(490,447)		
Principal payments	190,000		
Depreciation	(254,850)		
Compensated absences	41,132		
Change in net position - total primary government	<u>\$ (580,379)</u>		

The accompanying notes are an integral part of this statement.

COMPLIANCE SECTION



POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**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**

Independent Auditors' Report

To the Board of Directors
Union Day School, Inc.
Matthews, North Carolina

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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Union Day School, Inc.**, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises **Union Day School, Inc.**'s basic financial statements, and have issued our report thereon dated January 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Union Day School, Inc.**'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of **Union Day School, Inc.**'s internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 School's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or 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 the 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 material weaknesses. However, material weaknesses may exist that have not been identified

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Union Day School, Inc.**'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Potter & Company, PA

January 29, 2021
Concord, North Carolina



POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

Independent Auditors' Report

To The Board of Directors
Union Day School, Inc.
Matthews, North Carolina

Report on Compliance for Each Major State Program

We have audited **Union Day School, Inc.**'s compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission that could have a direct and material effect on its major State program for the year ended June 30, 2020. **Union Day School, Inc.**'s major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for **Union Day School, Inc.**'s major State program 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), as described in the Audit Manual for Governmental Auditors in North Carolina and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act 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 State program occurred. An audit includes examining, on a test basis, evidence about **Union Day School, Inc.**'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 its major State program. However, our audit does not provide a legal determination on **Union Day School, Inc.**'s compliance.

Opinion on Each Major State Program

In our opinion, **Union Day School, Inc.** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of **Union Day School, Inc.** 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, we considered **Union Day School, Inc.**'s internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its major State program and to test and report on internal control over compliance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School'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 state 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 state 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State 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 significant deficiencies or material weaknesses. 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 Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Potter & Company, PA

January 29, 2021
Concord, North Carolina

UNION DAY SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2020

Statement 2
(Page 1 of 2)

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No

- Significant deficiencies(s) identified that are not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

State Awards

Internal control over major State programs:

- Material weakness(es) identified? Yes No

- Significant deficiency(s) identified that are not considered to be material weaknesses? Yes No

Type of auditors' report issued on compliance with major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act Yes No

Identification of major State programs:

Program Name

State Public School Fund

UNION DAY SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2020

Statement 2
(Page 2 of 2)

II. Financial Statement Findings

None reported

III. Federal Award Findings and Questioned Costs

None reported

IV. State Award Findings and Questioned Costs

None reported

***UNION DAY SCHOOL, INC.
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2020***

Statement 3

Section II – Financial Statement Findings

None

Section IV – State Award Findings and Questioned Costs

None

UNION DAY SCHOOL, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2020

Statement 4

No prior year findings

UNION DAY SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020

Statement 5

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Number	Expenditures
Federal Grants:			
<u>U. S. Department of Education</u>			
<u>Office of Special Education and Rehabilitative Services</u>			
Passed through the NC Department of Public Instruction:			
<u>Coronavirus Relief Fund:</u>			
Student Computers and Devices	21.019	PRC 124	\$ 1,350
Total U. S. Department of Treasurer			<u>1,350</u>
<u>Special Education Cluster:</u>			
Individuals with Disabilities Education Act			
Education of the Handicapped	84.027	PRC 060	84,172
Preschool Grants	84.173	PRC 049	879
Special Needs Targeted Assistance	84.027	PRC 118	1,327
Total Special Education Cluster			<u>86,378</u>
Title I Grants School Improvements	84.010	PRC 115	2,304
REAP Grant	84.358-1	PRC 091	4,953
Improving Teacher Quality	84.367	PRC 103	1,788
			<u>1,788</u>
Total U. S. Department of Education			<u>95,423</u>
Total Federal Assistance			<u>96,773</u>
State Grants:			
<u>N.C. Department of Public Instruction</u>			
State Public School Fund - Charter School	-	PRC 036	2,612,505
Summer Reading	-	PRC 016	30,364
Teacher Legislated Bonuses	-	PRC 048	2,153
State COVID-19 Supplement Funds	-	PRC 154	15,886
			<u>15,886</u>
Total State Assistance			<u>2,660,908</u>
Total Federal and State Assistance			<u>\$ 2,757,681</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Union Day School, Inc. under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the SEFSA presents only a select portion of the operations of Union Day School, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Union Day School, Inc.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified 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 reimbursements.