

**UNION DAY SCHOOL, INC.**

**Audited Financial Statements**

**June 30, 2021**

**UNION DAY SCHOOL, INC.**

**Matthews, North Carolina**

**Audited**

**Financial Statements**

**For**

**The Year Ended**

**June 30, 2021**

**\* \* \* \* \***

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As of June 30, 2021

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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, 2021, 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 auditors' 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.

## *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, 2021, 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 budgetary schedule, as well as the accompanying Schedule of Expenditures of Federal and State Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedule 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 November 30, 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.*

November 30, 2021  
Concord, North Carolina

**Management's Discussion and Analysis**  
**Union Day School, Inc.**  
**June 30, 2021**

As management of Union Day School, Inc., we offer readers of Union Day School, Inc.'s (the School) financial statements this narrative overview and analysis of the financial activities of Union Day School, Inc. for the fiscal year ended June 30, 2021. 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 financial impact of COVID on Union Day School, Inc. has caused a 28% decrease in revenue generated.
- The assets of Union Day School, Inc. exceeded its liabilities and deferred inflows of resources of at the close of the fiscal year by \$283,250.
- The government's total net position increased by \$782,549.
- As of the close of the current fiscal year, Union Day School, Inc.'s total governmental funds reported combined ending fund balances of \$2,751,281, an increase of \$298,509.
- Enrollment was 565 for the year ended June 30, 2021.
- As described in Note I.A. the School reports the Union Day School Foundation, Inc. as a blended component unit of the School.

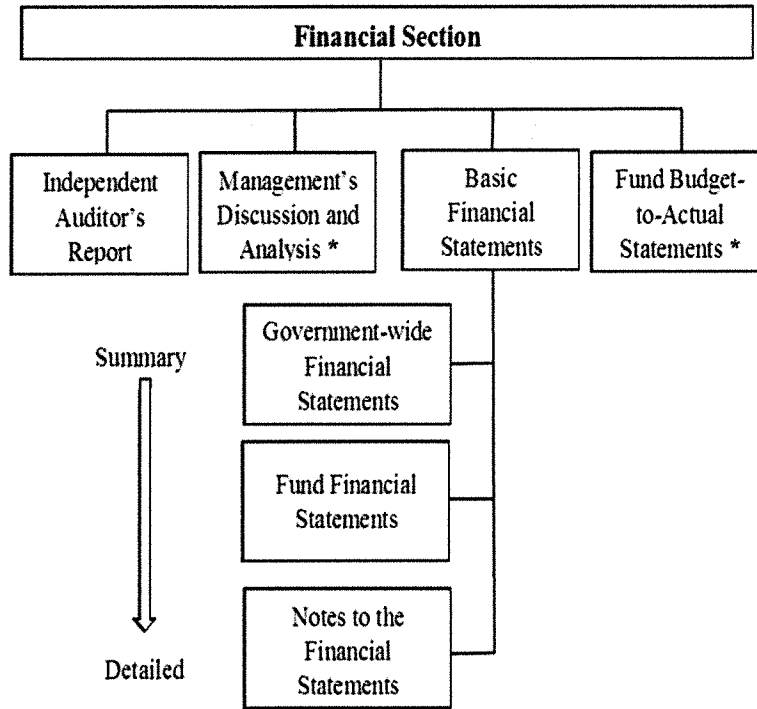
**Overview of the Financial Statements**

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

Figure 1



\* Required Supplementary Information

**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, 2021**

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 school wide budget, 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 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, 2021 cash and cash equivalents, and restricted bond funds, accounted for 10.8% and 9.7% of total government-wide assets, respectively. Capital assets, net of accumulated depreciation, accounted for 79.3% of total assets. Long-term liabilities represent 97.1% of total liabilities.

**Management Discussion and Analysis**  
**Union Day School, Inc.**  
**June 30, 2021**

As noted earlier, net position may, over time, serve as one useful indicator of a school's financial condition. The assets of the School exceeded its liabilities and deferred inflows of resources by \$283,250 as of June 30, 2021. As of June 30, 2020, the net position of the School stood at \$(499,299). The School's net position increased by \$782,549 for the fiscal year ended June 30, 2021, compared to a decrease of \$580,379 in 2020.

A condensed statement of net position which summarizes the assets, liabilities and net position at June 30, 2021 and 2020 is as follows:

**Union Day School's Condensed Statement of Net Position**  
**Figure 1**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 2,968,122	\$ 2,658,956	\$ 128,358	\$ 111,807	\$ 3,096,480	\$ 2,770,763
Capital assets	11,843,611	12,076,569	-	-	11,843,611	12,076,569
<b>Total assets</b>	<b>\$ 14,811,733</b>	<b>\$ 14,735,525</b>	<b>\$ 128,358</b>	<b>\$ 111,807</b>	<b>\$ 14,940,091</b>	<b>\$ 14,847,332</b>
Long-term liabilities outstanding	\$ 14,220,000	\$ 14,440,000	\$ -	\$ -	\$ 14,220,000	\$ 14,440,000
Other liabilities	430,566	903,506	-	-	430,566	903,506
<b>Total liabilities</b>	<b>\$ 14,650,566</b>	<b>\$ 15,343,506</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,650,566</b>	<b>\$ 15,343,506</b>
Deferred Inflows of Resources	\$ 6,275	\$ 3,125	\$ -	\$ -	\$ 6,275	\$ 3,125
Net Position:						
Net investment in capital assets	\$ (1,140,170)	\$ (1,066,359)	\$ -	\$ -	\$ (1,140,170)	\$ (1,066,359)
Unrestricted	1,295,062	455,253	128,358	111,807	1,423,420	567,060
<b>Total Net Position</b>	<b>\$ 154,892</b>	<b>\$ (611,106)</b>	<b>\$ 128,358</b>	<b>\$ 111,807</b>	<b>\$ 283,250</b>	<b>\$ (499,299)</b>

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

- The School adopted a school wide annual budget. 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, 2021 and 2020:

**Management Discussion and Analysis  
Union Day School, Inc.  
June 30, 2021**

**Union Day School Condensed Statement of Activities**

**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 47,382	\$ 69,183	\$ 47,382	\$ 69,183
Operating grants and contributions	167,388	96,773	-	-	167,388	96,773
General revenues:						
County and State funds	4,849,643	3,720,567	-	-	4,849,643	3,720,567
Other	1,759,471	1,015,791	-	-	1,759,471	1,015,791
Total revenues	<u>6,776,502</u>	<u>4,833,131</u>	<u>47,382</u>	<u>69,183</u>	<u>6,823,884</u>	<u>4,902,314</u>
Expenses:						
Instructional services	3,284,353	2,877,707	-	-	3,284,353	2,877,707
System-wide support services	1,816,554	1,644,211	-	-	1,816,554	1,644,211
Child care	-	-	30,831	39,157	30,831	39,157
Interest on long-term debt	909,597	921,618	-	-	909,597	921,618
Total expenses	<u>6,010,504</u>	<u>5,443,536</u>	<u>30,831</u>	<u>39,157</u>	<u>6,041,335</u>	<u>5,482,693</u>
Increase in net position	765,998	(610,405)	16,551	30,026	782,549	(580,379)
Net position, July 1,	(611,106)	(701)	111,807	81,781	(499,299)	81,080
Net position, June 30	<u>\$ 154,892</u>	<u>\$ (611,106)</u>	<u>\$ 128,358</u>	<u>\$ 111,807</u>	<u>\$ 283,250</u>	<u>\$ (499,299)</u>

**Governmental activities:** Governmental activities increased the School's net position by \$765,998.

**Business-type activities:** Business-type activities increased Union Day School, Inc.'s net position by \$16,551.

**Financial Analysis of the School's Funds**

As noted earlier, 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 Union Day School's financing requirements. Specifically, unassigned 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 99.4% of total General Fund assets. Accrued salaries accounted for 92.3% of total General Fund liabilities. The unassigned fund balance of the General Fund was \$1,236,976, while total fund balance of the General Fund was \$1,238,157, an increase of \$313,151. The primary source, 94.3%, of General Fund revenue was \$1,536,464 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 \$128,358.

**Capital Asset and Debt Administration**

**Capital assets.** Union Day School, Inc. and the Foundation's net investment in capital assets for its governmental and business-type activities as of June 30, 2021 is \$11,843,611. These assets include: land, buildings, equipment, and furniture.

**Management Discussion and Analysis  
 Union Day School, Inc.  
 June 30, 2021**

**Union Day School, Inc.  
 (Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 293,500	\$ 293,500	\$ -	\$ -	\$ 293,500	\$ 293,500
Buildings	11,491,470	11,732,477	-	-	11,491,470	11,732,477
Technology and office equipment	58,641	50,592	-	-	58,641	50,592
Total long term obligations	<u>\$ 11,843,611</u>	<u>\$ 12,076,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,843,611</u>	<u>\$ 12,076,569</u>

**Long-term Debt.** As of June 30, 2021, Union Day School had total debt outstanding of \$14,440,000. The debt consists of the Series 2018 Bonds as of June 30, 2021.

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

**Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Bond Debt	\$ 14,440,000	\$ 14,650,000	\$ -	\$ -	\$ 14,440,000	\$ 14,650,000
Total long term obligations	<u>\$ 14,440,000</u>	<u>\$ 14,650,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,440,000</u>	<u>\$ 14,650,000</u>

**Economic Factors**

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

- Enrollment was at 565 students on June 30, 2021 for grades K-7. For 2021-2022 the School was K-8 with 705 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 were still felt nationwide. Union Day School's response to the coronavirus included higher safety precautions to help reduce the spread of the virus to our staff and students. Also Union Day School continues to implement and execute plans to combat learning loss and social/emotional wellbeing of our students and staff during this unprecedented time. Union Day School has utilized their remote learning model when needed due to high levels of reported COVID cases. To be prepared for in person learning as well as remote learning, purchases continued to be made to have the proper technology, software and supplies needed to shift between in person and remote learning. The financial effects the coronavirus has had on Union Day School was the cancellation or adjustments to various revenue generating programs such as Before/Aftercare and Enrichment, athletics and fundraising events that were planned through 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 shifts between in person and virtual learning so that 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, 2021**

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,492,194	\$ 128,358	\$ 1,620,552
Due from other governments	7,528	-	7,528
Security deposits	11,000	-	11,000
Prepays	1,181	-	1,181
Restricted bond funds	1,456,219	-	1,456,219
Total current assets	2,968,122	128,358	3,096,480
Noncurrent assets			
Capital assets			
Land	293,500	-	293,500
Other capital assets, net of depreciation	11,550,111	-	11,550,111
Total noncurrent assets	11,843,611	-	11,843,611
 Total Assets	 14,811,733	 128,358	 14,940,091
 <b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	16,119	-	16,119
Accrued salaries and taxes payable	194,447	-	194,447
Due within one year	220,000	-	220,000
Total current liabilities	430,566	-	430,566
Long-term liabilities:			
Due in more than one year	14,220,000	-	14,220,000
Total noncurrent liabilities	14,220,000	-	14,220,000
 Total Liabilities	 14,650,566	 -	 14,650,566
 DEFERRED INFLOWS OF RESOURCES	 6,275	 -	 6,275
 <b>NET POSITION</b>			
Net investment in capital assets	(1,140,170)	-	(1,140,170)
Unrestricted	1,295,062	128,358	1,423,420
Total Net Position	\$ 154,892	\$ 128,358	\$ 283,250

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

**UNION DAY SCHOOL, INC.**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2021**

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>						
<b>Governmental Activities:</b>						
Instructional services	\$ 3,284,353	\$ -	\$ 167,388	\$ (3,116,965)	\$ -	\$ (3,116,965)
System-wide support services	1,816,554	-	-	(1,816,554)	-	(1,816,554)
Interest on long-term debt	909,597	-	-	(909,597)	-	(909,597)
Total governmental activities	<u>6,010,504</u>	<u>-</u>	<u>167,388</u>	<u>(5,843,116)</u>	<u>-</u>	<u>(5,843,116)</u>
<b>Business-type activities:</b>						
Child Care	30,831	47,382	-	-	16,551	16,551
Total business-type activities	<u>30,831</u>	<u>47,382</u>	<u>-</u>	<u>-</u>	<u>16,551</u>	<u>16,551</u>
Total primary government	<u>\$ 6,041,335</u>	<u>\$ 47,382</u>	<u>\$ 167,388</u>	<u>(5,843,116)</u>	<u>16,551</u>	<u>(5,826,565)</u>
<b>General revenues:</b>						
Unrestricted county appropriations				1,536,464	-	1,536,464
Unrestricted State appropriations				3,313,179	-	3,313,179
Miscellaneous, unrestricted				1,759,471	-	1,759,471
Total general revenues				<u>6,609,114</u>	<u>-</u>	<u>6,609,114</u>
Change in net position				765,998	16,551	782,549
Net position - beginning				(611,106)	111,807	(499,299)
Net position - ending				<u>\$ 154,892</u>	<u>\$ 128,358</u>	<u>\$ 283,250</u>

The accompanying notes are an integral part of this statement.



**UNION DAY SCHOOL, INC.**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2021**

Exhibit 3

	Major Funds			Non-Major Fund	Totals
	General	State Public School	Foundation	Federal Grants	Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,446,289	\$ -	\$ 45,905	\$ -	\$ 1,492,194
Due from other governments	7,528	-	-	-	7,528
Security deposit	-	-	11,000	-	11,000
Prepays	1,181	-	-	-	1,181
Restricted bond funds	-	-	1,456,219	-	1,456,219
<b>Total Assets</b>	<b>\$ 1,454,998</b>	<b>\$ -</b>	<b>\$ 1,513,124</b>	<b>\$ -</b>	<b>\$ 2,968,122</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 16,119	\$ -	\$ -	\$ -	\$ 16,119
Accrued salaries and taxes payable	194,447	-	-	-	194,447
<b>Total Liabilities</b>	<b>210,566</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>210,566</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	6,275	-	-	-	6,275
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Prepays	1,181	-	-	-	1,181
Security deposit	-	-	11,000	-	11,000
Assigned for Capital Outlay	-	-	1,456,219	-	1,456,219
Unassigned	1,236,976	-	45,905	-	1,282,881
<b>Total Fund Balances</b>	<b>1,238,157</b>	<b>-</b>	<b>1,513,124</b>	<b>-</b>	<b>2,751,281</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 1,454,998</b>	<b>\$ -</b>	<b>\$ 1,513,124</b>	<b>\$ -</b>	

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.	11,843,611
Some liabilities, are not due and payable in the current period and therefore are not reported in the funds (Note 3).	<u>(14,440,000)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 154,892</u></b>

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, 2021**

Exhibit 4

	Major Funds			Non-Major Fund	Total Governmental Funds
	General	State Public School	Foundation	Federal Grants	
<b>Revenues</b>					
State of North Carolina	\$ -	\$ 3,313,179	\$ -	\$ -	\$ 3,313,179
U. S. Government	-	61,795	-	105,593	167,388
County Appropriations	1,536,464	-	-	-	1,536,464
Other	93,173	-	1,175,851	-	1,269,024
Total Revenues	<u>1,629,637</u>	<u>3,374,974</u>	<u>1,175,851</u>	<u>105,593</u>	<u>6,286,055</u>
<b>Expenditures</b>					
Current:					
Instructional services	611,204	2,285,594	-	105,593	3,002,391
System-wide support services	670,472	1,074,504	40,248	-	1,785,224
Capital outlay	34,810	14,876	30,648	-	80,334
Debt service:					
Principal	-	-	210,000	-	210,000
Interest	-	-	909,597	-	909,597
Total Expenditures	<u>1,316,486</u>	<u>3,374,974</u>	<u>1,190,493</u>	<u>105,593</u>	<u>5,987,546</u>
Excess (deficiency) of revenues over expenditures	<u>313,151</u>	<u>-</u>	<u>(14,642)</u>	<u>-</u>	<u>298,509</u>
Net change in fund balance	313,151	-	(14,642)	-	298,509
<b>Fund Balances:</b>					
Beginning of Period	<u>925,006</u>	<u>-</u>	<u>1,527,766</u>	<u>-</u>	<u>2,452,772</u>
End of Period	<u>\$ 1,238,157</u>	<u>\$ -</u>	<u>\$ 1,513,124</u>	<u>\$ -</u>	<u>\$ 2,751,281</u>

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, 2021*

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

Net changes in fund balances - total governmental funds	\$ 298,509
Governmental funds report capital outlays 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.	(232,958)
The forgiveness of refundable advances related to SBA PPP Loan	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.	<u>210,000</u>
Total changes in net position of governmental activities	<u>\$ 765,998</u>

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

**UNION DAY SCHOOL, INC.**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
*June 30, 2021*

**Exhibit 6**

	Enterprise Fund Child Care
<b>ASSETS</b>	
Cash and cash equivalents	\$ 128,358
Total Assets	128,358
<b>LIABILITIES</b>	
Accrued wages and taxes payable	-
Total Liabilities	-
<b>NET POSITION</b>	
Unrestricted	128,358
Total Net Position	\$ 128,358

*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, 2021*

Exhibit 7

	Enterprise Fund Child Care
OPERATING REVENUES	
Child care fees	\$ 47,382
Total operating revenues	47,382
OPERATING EXPENSES	
Salaries and benefits	14,730
Contract services	15,827
Supplies	274
Total operating expenses	30,831
Operating income	16,551
Change in net position	16,551
Total net position-beginning of year	111,807
Total net position-end of year	\$ 128,358

*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, 2021*

Exhibit 8

	Enterprise Fund Child Care
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Cash received for child care services	\$ 47,382
Cash paid for goods and services	(16,101)
Cash paid to employees for services	(14,730)
Net cash provided by operating activities	16,551
Net increase in cash and cash equivalents	16,551
Cash, beginning of period	111,807
Cash, end of period	\$ 128,358
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 16,551
 Adjustments to reconcile operating income to net cash provided by operating activities	
Accrued wages	-
Net cash provided by operating activities	\$ 16,551

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

**UNION DAY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**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 565 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, 2021**

**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. Departments of Education and Treasury for various special programs.



**UNION DAY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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

The School reports the following non-major enterprise fund:

*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 and claims and judgments, 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**

An annual budget is 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, 2021 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, 2021**

**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 and improvements	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

**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 for compensated absences 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 prepaids 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 purposes 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, 2021**

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 \$(2,596,389) 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)	\$ 12,644,685
Less accumulated depreciation	(801,074)
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>(14,440,000)</u>
Total adjustment	<u>\$ (2,596,389)</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, 2021 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, 2021.

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)

**UNION DAY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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

an additional amount for each child attending the School who is a child with special needs [G.S. 115C-218.105(a)].

Subject to certain limitations, 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, 2021, **Union Day School, Inc.** received funding from the Boards of Education for Union County Schools, Gaston County Schools, Cabarrus County Schools, Harnett 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 \$467,489 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.	\$ 80,334
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(313,292)
Principal payments on debt 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	210,000
PPP loan obtained during the previous year was forgiven and included in income but affects only the statement of net position in the government-wide statements	<u>490,447</u>
Total	<u>\$ 467,489</u>

**UNION DAY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**II. Detail Notes on All Funds**

**A. Assets**

**1. Deposits and Investments**

At June 30, 2021, the School and Foundation have deposits with banks and savings and loans with a carrying amount of \$1,620,252. The bank balance with the financial institutions was \$1,624,768. Of the bank balance, \$297,907 was covered by federal depository insurance and \$1,326,861 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, 2021, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 293,500	\$ -	\$ -	\$ -	\$ 293,500
Total capital assets not being depreciated	<u>293,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>293,500</u>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	12,215,424	65,371	-	-	12,280,795
Technology & office equipment	55,427	14,963	-	-	70,390
Total capital assets being depreciated	<u>12,270,851</u>	<u>80,334</u>	<u>-</u>	<u>-</u>	<u>12,351,185</u>
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	482,947	306,378	-	-	789,325
Technology & office equipment	4,835	6,914	-	-	11,749
Total accumulated depreciation	<u>487,782</u>	<u>\$ 313,292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>801,074</u>
Total capital assets being depreciated, net	<u>11,783,069</u>				<u>11,550,111</u>
<b>Governmental activity capital assets, net</b>	<u>\$12,076,569</u>				<u>\$ 11,843,611</u>

Depreciation expense was charged to governmental functions as follows:

Instructional services	\$ 281,963
System-wide supporting services	31,329
	<u>\$ 313,292</u>

**3. Bond Funds**

The issuance of the Series 2018 Bonds, required several restricted deposit funds to be created in order to comply with the loan agreement. These funds are reported as restricted bond funds in the financial statements. 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 \$1,119,988 at June 30, 2021.

**UNION DAY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**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 total balance of the two bond funds was \$10 at June 30, 2021.

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 \$198,357 at June 30, 2021.

Construction Reserve Fund – Set up for a temporary time period to pay for a DOT project. The balance of the construction reserve fund was \$137,864 at June 30, 2021.

**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.** matches 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, 2021, 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, 2021, the School contributions were \$52,671 and member contributions were \$96,748.

**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. Forgivable Loan Received Under the SBA Paycheck Protection Program**

*Paycheck Protection Program Loan* - In response to the COVID-19 pandemic in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In June 2020, the School obtained a PPP loan for \$490,447, which is included in the School's revenue balance at June 30, 2021. The School used all of the proceeds from the note for qualifying expenses and received approval of its application for the loan to be forgiven in May 2021.

**UNION DAY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**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, 2021, debt service requirements of the outstanding bonds, assuming current interest rates as of June 30, 2021 remain the same in the future years, were as follows:

Year Ending June 30	Variable Rate Bonds		Total
	Principal	Interest	
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	280,000	836,144	1,116,144
2027-2031	1,685,000	3,898,460	5,583,460
2032-2036	2,270,000	3,309,397	5,579,397
2037-2041	3,065,000	2,512,786	5,577,786
2042-2046	4,135,000	1,436,883	5,571,883
2047-2048	2,035,000	192,188	2,227,188
	<u>\$ 14,440,000</u>	<u>\$ 15,684,947</u>	<u>\$ 30,124,947</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 calculations of the covenants for at June 30, 2021, are as follows:

Coverage Ratio:	
Revenues of the School (Lessee)	\$ 5,157,586
Minus: Operating expenses of the School (Lessee)	(4,778,198)
Plus: Depreciation	8,073
Base lease payments	<u>1,119,276</u>
Net Income Available for Debt Service (A)	<u>\$ 1,506,737</u>
Debt Service:	
Maximum Annual Debt Service (B)	<u>\$ 1,119,988</u>
Resulting Debt Service Coverage Ratio (A/B)	1.35
Minimum Required Ratio	1.10



**UNION DAY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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

Liquidity:

Unrestricted Cash (School only)	<u>\$ 1,446,289</u>
Minimum Required (Net operating expenses of \$4,778,198/ 365 days times 45 days)	<u>\$ 588,098</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, 2021:

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>	<u>Current Portion</u>
Governmental activities:					
Bond Payable – Series 2018	\$ 14,650,000	\$ -	\$ 210,000	\$ 14,440,000	\$ 220,000
Total	<u>\$ 14,650,000</u>	<u>\$ -</u>	<u>\$ 210,000</u>	<u>\$ 14,440,000</u>	<u>\$ 220,000</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 spread 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 2022.

**UNION DAY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**III. Summary Disclosure of Significant Contingencies and Commitments - Continued**

Claims and Judgements

At June 30, 2021, the School was a defendant to various lawsuits. In the opinion of management and the School's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the School's financial position.

**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 \$3,380 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 \$18,072 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 \$1,300 from the State Public School Fund.

**V. Subsequent Events**

Management has evaluated subsequent events through November 30, 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, 2021

	Total All Funds	Final Budget	Favorable (Unfavorable) Variance
<b>REVENUES</b>			
State revenue	\$ 3,313,179	\$ 3,328,566	\$ (15,387)
Federal revenue	167,388	309,492	(142,104)
County revenue	1,536,464	1,460,593	75,871
Child care	47,382	46,915	467
Other	75,697	89,441	(13,744)
Loan proceeds	-	324,801	(324,801)
Total Revenue	<u>5,140,110</u>	<u>5,559,808</u>	<u>(419,698)</u>
<b>EXPENDITURES</b>			
Salaries and bonuses	2,325,633	2,470,730	145,097
Benefits	432,658	556,308	123,650
Books and supplies	89,098	102,798	13,700
Contracted student services	111,083	95,352	(15,731)
Non-capital equipment and leases	37,717	40,000	2,283
Technology	65,110	101,028	35,918
Staff development	17,586	29,346	11,760
Administrative services	136,442	129,376	(7,066)
Insurance	43,715	45,000	1,285
Rent and debt services	1,119,597	1,119,600	3
Facilities	192,240	216,900	24,660
Utilities (Water, Electric, Telephone)	81,215	90,475	9,260
Nutrition	1,078	2,857	1,779
Transportation and travel	6,520	22,000	15,480
Before and after school	30,831	40,780	9,949
Capital equipment & purchases	80,334	14,963	(65,371)
Athletic programs	1,515	2,565	1,050
IB Program	8,008	8,930	922
COVID-19	44,670	50,506	5,836
Total Expenditures	<u>4,825,050</u>	<u>5,139,514</u>	<u>314,464</u>
Revenues Over (Under) Expenditures	315,060	<u>\$ 420,294</u>	<u>\$ (105,234)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay	80,334		
Principal payments	210,000		
PPP loan forgiveness	490,447		
Depreciation	(313,292)		
Change in net position - total primary government	<u>\$ 782,549</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, 2021, and the related notes to the financial statements, which collectively comprise **Union Day School, Inc.**'s basic financial statements, and have issued our report thereon dated November 30, 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) as a basis for designing 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 Standard*.

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*

November 30, 2021  
Concord, North Carolina



**POTTER & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND 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, 2021. **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 state statutes, regulations, and the terms and conditions of its state awards 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, 2021.

### 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*

November 30, 2021  
Concord, North Carolina

*UNION DAY SCHOOL, INC.*  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended June 30, 2021*

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 deficiency(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 Year Ended June 30, 2021*

**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 Year Ended June 30, 2021*

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, 2021*

Statement 4

**No prior year findings**

**UNION DAY SCHOOL, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2021**

Statement 5

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Number	Expenditures
<b>Federal Grants:</b>			
<u><b>U. S. Department of Treasury</b></u>			
Passed-through the Office of State Budget and Management:			
NC Pandemic Recovery Office			
Passed-through the N.C. Department of Public Instruction:			
Coronavirus Relief Fund			
Summer Learning	21.019	PRC 121	\$ 30,722
Contracting Mental Health	21.019	PRC 122	2,880
Remote Instructional	21.019	PRC 123	872
Student Computers and Devices	21.019	PRC 124	7,558
Personnel Computers and Devices	21.019	PRC 126	2,912
Home & Community WIFI	21.019	PRC 128	1,491
Services for Exceptional Children	21.019	PRC 132	2,779
Cybersecurity	21.019	PRC 135	303
Personal Protective Equipment	21.019	PRC 137	12,278
Total Coronavirus Relief Fund			61,795
Total U. S. Department of Treasury			61,795
<u><b>U. S. Department of Education</b></u>			
<u>Office of Special Education and Rehabilitative Services</u>			
Passed through the NC Department of Public Instruction:			
<u>Special Education Cluster:</u>			
Individuals with Disabilities Education Act			
Education of the Handicapped	84.027	PRC 060	72,728
Preschool Grants	84.173	PRC 049	122
Special Needs Targeted Assistance	84.027	PRC 118	2,430
Total Special Education Cluster			75,280
Title I Grants School Improvements	84.010	PRC 115	1,090
Improving Teacher Quality	84.367	PRC 103	5,179
COVID-19 Education Stabilization Fund			
Public School Unit Supplement Funding	84.425	PRC 164	19,842
Digital Curricula	84.425	PRC 165	2,499
ESSERF - EC Grants	84.425	PRC 167	1,703
Total U. S. Department of Education			105,593
Total Federal Assistance			167,388
<b>State Grants:</b>			
<u><b>N.C. Department of Public Instruction</b></u>			
State Public School Fund - Charter School	-	PRC 036	3,305,741
Summer Reading	-	PRC 016	7,438
Total State Assistance			3,313,179
Total Federal and State Assistance			\$ 3,480,567

**Notes to the Schedule of Expenditures of Federal and State 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, 2021. 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.