

**UNION DAY SCHOOL, INC.**

**Audited Financial Statements**

**June 30, 2022**

**UNION DAY SCHOOL, INC.**

**Weddington, North Carolina**

**Audited**

**Financial Statements**

**For**

**The Year Ended**

**June 30, 2022**

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

**Union Day School, Inc.**

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As of June 30, 2022

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# **FINANCIAL SECTION**



**POTTER & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

**Report on the Audit of the Financial Statements**

*Opinion*

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, 2022, 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.

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, 2022, 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.

*Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Union Day School, Inc.**, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Union Day School, Inc.**'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Union Day School Inc.'s** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Union Day School, Inc's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8-13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, it 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 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 budgetary schedule, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022 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 that 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 the effectiveness of **Union Day School, Inc.**'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Union Day School, Inc.**'s internal control over financial reporting and compliance.

***Potter & Company, P.A.***

November 29, 2022  
Concord, North Carolina

**Management's Discussion and Analysis**  
**Union Day School, Inc.**  
**June 30, 2022**

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, 2022. 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 assets of Union Day School, Inc. exceeded its liabilities at the close of the fiscal year by \$730,936.
- The government's total net position increased by \$447,686.
- As of the close of the current fiscal year, Union Day School, Inc.'s total governmental funds reported combined ending fund balances of \$3,174,830, an increase of \$423,549.
- Enrollment was 535 for the year ended June 30, 2022.
- As described in Note I.A. the School reports the Union Day School Foundation, Inc. as a blended component unit of the School.

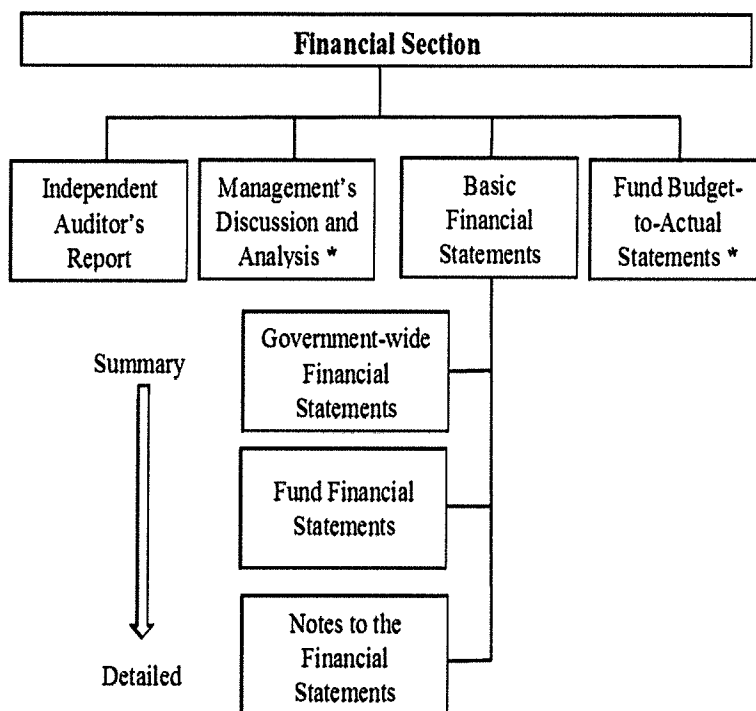
**Overview of the Financial Statements**

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 budgetary information for the School.

**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 it has changed. Net position is the difference between the School's total assets and total liabilities. Measuring net position is one way to gauge the School's financial condition.

**Management Discussion and Analysis**  
**Union Day School, Inc.**  
**June 30, 2022**

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, 2022 cash and cash equivalents, and restricted bond funds, accounted for 12.5% and 9.6% of total government-wide assets, respectively. Capital assets, net of accumulated depreciation, accounted for 76.5% of total assets. Long-term liabilities represent 96.7% of total liabilities.

**Management Discussion and Analysis**  
**Union Day School, Inc.**  
**June 30, 2022**

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 by \$730,936 as of June 30, 2022. As of June 30, 2021, the net position of the School stood at \$283,250. The School’s net position increased by \$447,686 for the fiscal year ended June 30, 2022, compared to an increase of \$782,549 in 2021.

A condensed statement of net position which summarizes the assets, liabilities and net position at June 30, 2022 and 2021 is as follows:

**Union Day School’s Condensed Statement of Net Position**

**Figure 1**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 3,412,767	\$ 2,968,122	\$ 152,534	\$ 128,358	\$ 3,565,301	\$ 3,096,480
Capital assets	11,623,572	11,843,611	-	-	11,623,572	11,843,611
<b>Total assets</b>	<b>15,036,339</b>	<b>14,811,733</b>	<b>152,534</b>	<b>128,358</b>	<b>15,188,873</b>	<b>14,940,091</b>
Long-term liabilities outstanding	13,985,000	14,220,000	-	-	13,985,000	14,220,000
Other liabilities	472,937	430,566	-	-	472,937	430,566
<b>Total liabilities</b>	<b>14,457,937</b>	<b>14,650,566</b>	<b>-</b>	<b>-</b>	<b>14,457,937</b>	<b>14,650,566</b>
Deferred Inflows of Resources	-	6,275	-	-	-	6,275
Net Position:						
Net investment in capital assets	(1,139,864)	(1,140,170)	-	-	(1,139,864)	(1,140,170)
Unrestricted	1,718,266	1,295,062	152,534	128,358	1,870,800	1,423,420
<b>Total Net Position</b>	<b>\$ 578,402</b>	<b>\$ 154,892</b>	<b>\$ 152,534</b>	<b>\$ 128,358</b>	<b>\$ 730,936</b>	<b>\$ 283,250</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, 2022 and 2021:

Union Day School Condensed Statement of Activities

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 43,888	\$ 47,382	\$ 43,888	\$ 47,382
Operating grants and contributions	415,580	167,388	-	-	415,580	167,388
General revenues:						
County and State funds	5,980,608	4,849,643	-	-	5,980,608	4,849,643
Other	1,429,013	1,759,471	-	-	1,429,013	1,759,471
<b>Total revenues</b>	<b>7,825,201</b>	<b>6,776,502</b>	<b>43,888</b>	<b>47,382</b>	<b>7,869,089</b>	<b>6,823,884</b>
<b>Expenses:</b>						
Instructional services	4,264,652	3,284,353	-	-	4,264,652	3,284,353
System-wide support services	2,240,723	1,816,554	-	-	2,240,723	1,816,554
Child care	-	-	19,712	30,831	19,712	30,831
Interest on long-term debt	896,316	909,597	-	-	896,316	909,597
<b>Total expenses</b>	<b>7,401,691</b>	<b>6,010,504</b>	<b>19,712</b>	<b>30,831</b>	<b>7,421,403</b>	<b>6,041,335</b>
Increase in net position	423,510	765,998	24,176	16,551	447,686	782,549
Net position, July 1,	154,892	(611,106)	128,358	111,807	283,250	(499,299)
<b>Net position, June 30</b>	<b>\$ 578,402</b>	<b>\$ 154,892</b>	<b>\$ 152,534</b>	<b>\$ 128,358</b>	<b>\$ 730,936</b>	<b>\$ 283,250</b>

**Governmental activities:** Governmental activities increased the School’s net position by \$423,510.

**Business-type activities:** Business-type activities increased Union Day School, Inc.’s net position by \$24,176.

**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, Inc.’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 89.7% of total General Fund assets. Accrued salaries accounted for 100.0% of total General Fund liabilities. The unassigned fund balance of the General Fund was \$1,586,968, while total fund balance of the General Fund was \$1,679,994, an increase of \$441,837. The primary source, 85.1%, of General Fund revenue was \$1,669,188 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 \$152,534.

**Capital Asset and Debt Administration**

**Capital assets.** Union Day School, Inc. and the Foundation’s capital assets for its governmental and business-type activities as of June 30, 2022 are \$11,623,572. These assets include: land, buildings, equipment, and furniture.

**Management Discussion and Analysis**  
**Union Day School, Inc.**  
**June 30, 2022**

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land and CIP	\$ 305,425	\$ 293,500	\$ -	\$ -	\$ 305,425	\$ 293,500
Buildings and improvements	11,184,450	11,491,470	-	-	11,184,450	11,491,470
Computer equipment	62,146	-	-	-	62,146	-
School furniture and equipment	71,551	58,641	-	-	71,551	58,641
Total capital assets	<u>\$ 11,623,572</u>	<u>\$ 11,843,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,623,572</u>	<u>\$ 11,843,611</u>

**Long-term Debt.** As of June 30, 2022, Union Day School had total debt outstanding of \$14,220,000. The debt consists of the Series 2018 Bonds as of June 30, 2022.

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

**Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Bond Payable	\$ 14,220,000	\$ 14,440,000	\$ -	\$ -	\$ 14,220,000	\$ 14,440,000
Total long term obligations	<u>\$ 14,220,000</u>	<u>\$ 14,440,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,220,000</u>	<u>\$ 14,440,000</u>

**Economic Factors**

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

- Enrollment was at 535 students on June 30, 2022 for grades K-8.
- For 2022-2023 the School was K-9 with 546 students.
- Union Day School will continue to grow one grade a year.

**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, Weddington, NC 28104.

# **FINANCIAL STATEMENTS**

**UNION DAY SCHOOL, INC.**  
**STATEMENT OF NET POSITION**  
*June 30, 2022*

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,747,166	\$ 152,534	\$ 1,899,700
Due from other governments	105,011	-	105,011
Security deposits	11,000	-	11,000
Prepaid items	93,026	-	93,026
Restricted bond funds	1,456,564	-	1,456,564
Total current assets	3,412,767	152,534	3,565,301
Noncurrent assets			
Capital assets			
Land and construction in progress	305,425	-	305,425
Other capital assets, net of depreciation	11,318,147	-	11,318,147
Total noncurrent assets	11,623,572	-	11,623,572
 Total Assets	 15,036,339	 152,534	 15,188,873
 <b>LIABILITIES</b>			
Current liabilities:			
Accrued salaries and taxes payable	237,937	-	237,937
Current portion of bonds payable	235,000	-	235,000
Total current liabilities	472,937	-	472,937
Long-term liabilities:			
Bonds payable	13,985,000	-	13,985,000
Total noncurrent liabilities	13,985,000	-	13,985,000
 Total Liabilities	 14,457,937	 -	 14,457,937
 <b>NET POSITION</b>			
Net investment in capital assets	(1,139,864)	-	(1,139,864)
Unrestricted	1,718,266	152,534	1,870,800
Total Net Position	\$ 578,402	\$ 152,534	\$ 730,936

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

**UNION DAY SCHOOL, INC.**  
**STATEMENT OF ACTIVITIES**  
*For The Year Ended June 30, 2022*

**Exhibit 2**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>						
<b>Governmental Activities:</b>						
Instructional services	\$ 4,264,652	\$ -	\$ 415,580	\$ (3,849,072)	\$ -	\$ (3,849,072)
System-wide support services	2,240,723	-	-	(2,240,723)	-	(2,240,723)
Interest on long-term debt	896,316	-	-	(896,316)	-	(896,316)
Total governmental activities	7,401,691	-	415,580	(6,986,111)	-	(6,986,111)
<b>Business-type activities:</b>						
Child Care	19,712	43,888	-	-	24,176	24,176
Total business-type activities	19,712	43,888	-	-	24,176	24,176
Total primary government	\$ 7,421,403	\$ 43,888	\$ 415,580	(6,986,111)	24,176	(6,961,935)
<b>General revenues:</b>						
Unrestricted county appropriations				1,669,188	-	1,669,188
Unrestricted State appropriations				4,311,420	-	4,311,420
Miscellaneous, unrestricted				1,429,013	-	1,429,013
Total general revenues				7,409,621	-	7,409,621
Change in net position				423,510	24,176	447,686
Net position - beginning				154,892	128,358	283,250
Net position - ending				\$ 578,402	\$ 152,534	\$ 730,936

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



**UNION DAY SCHOOL, INC.**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
*June 30, 2022*

Exhibit 3

	Major Funds			Non-Major Fund	Totals
	General	State Public School	Foundation	Federal Grants	Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,719,894	\$ -	\$ 27,272	\$ -	\$ 1,747,166
Due from other governments	105,011		-	-	105,011
Security deposit	-		11,000	-	11,000
Prepays	93,026		-	-	93,026
Restricted bond funds	-	-	1,456,564	-	1,456,564
<b>Total Assets</b>	<u>\$ 1,917,931</u>	<u>\$ -</u>	<u>\$ 1,494,836</u>	<u>\$ -</u>	<u>\$ 3,412,767</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accrued salaries and taxes payable	\$ 237,937	\$ -	\$ -	\$ -	\$ 237,937
<b>Total Liabilities</b>	<u>237,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>237,937</u>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Prepays	93,026	-	-	-	93,026
Security deposit	-	-	11,000	-	11,000
Assigned for Capital Outlay	-	-	1,456,564	-	1,456,564
Unassigned	1,586,968	-	27,272	-	1,614,240
<b>Total Fund Balances</b>	<u>1,679,994</u>	<u>-</u>	<u>1,494,836</u>	<u>-</u>	<u>3,174,830</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 1,917,931</u>	<u>\$ -</u>	<u>\$ 1,494,836</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	11,623,572
Some liabilities are not due and payable in the current period and therefore are not reported in the funds (Note 3)	<u>(14,220,000)</u>
<b>Net position of governmental activities</b>	<u>\$ 578,402</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, 2022**

Exhibit 4

	Major Funds			Non-Major Fund	Total
	General	State Public School	Foundation	Federal Grants	Governmental Funds
<b>Revenues</b>					
State of North Carolina	\$ -	\$ 4,311,420	\$ -	\$ -	\$ 4,311,420
U. S. Government	-	110,342	-	305,238	415,580
County appropriations	1,669,188	-	-	-	1,669,188
Other	291,320	-	1,137,693	-	1,429,013
<b>Total Revenues</b>	<b>1,960,508</b>	<b>4,421,762</b>	<b>1,137,693</b>	<b>305,238</b>	<b>7,825,201</b>
<b>Expenditures</b>					
<b>Current:</b>					
Instructional services	1,132,205	2,543,983	-	299,814	3,976,002
System-wide support services	372,966	1,802,520	27,740	5,424	2,208,650
Capital outlay	13,500	75,259	11,925	-	100,684
<b>Debt service:</b>					
Principal	-	-	220,000	-	220,000
Interest	-	-	896,316	-	896,316
<b>Total Expenditures</b>	<b>1,518,671</b>	<b>4,421,762</b>	<b>1,155,981</b>	<b>305,238</b>	<b>7,401,652</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>441,837</b>	<b>-</b>	<b>(18,288)</b>	<b>-</b>	<b>423,549</b>
<b>Net change in fund balance</b>	<b>441,837</b>	<b>-</b>	<b>(18,288)</b>	<b>-</b>	<b>423,549</b>
<b>Fund Balances:</b>					
Beginning of Period	1,238,157	-	1,513,124	-	2,751,281
End of Period	<u>\$ 1,679,994</u>	<u>\$ -</u>	<u>\$ 1,494,836</u>	<u>\$ -</u>	<u>\$ 3,174,830</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, 2022***

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

Net changes in fund balances - total governmental funds	\$ 423,549
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	(220,039)
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>220,000</u>
Total changes in net position of governmental activities	<u><u>\$ 423,510</u></u>

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

**UNION DAY SCHOOL, INC.**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
*June 30, 2022*

Exhibit 6

	<u>Enterprise Fund Child Care</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 152,534
Total Assets	<u>152,534</u>
<b>NET POSITION</b>	
Unrestricted	152,534
Total Net Position	<u><u>\$ 152,534</u></u>

*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, 2022**

Exhibit 7

	Enterprise Fund Child Care
<b>OPERATING REVENUES</b>	
Child care fees	\$ 43,888
Total operating revenues	43,888
<b>OPERATING EXPENSES</b>	
Salaries and benefits	1,590
Contract services	16,728
Supplies	1,394
Total operating expenses	19,712
Operating income	24,176
Change in net position	24,176
Total net position-beginning of year	128,358
Total net position-end of year	\$ 152,534

*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, 2022*

**Exhibit 8**

	Enterprise Fund Child Care
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Cash received for child care services	\$ 43,888
Cash paid for goods and services	(18,122)
Cash paid to employees for services	(1,590)
Net cash provided by operating activities	24,176
Net increase in cash and cash equivalents	24,176
Cash, beginning of period	128,358
Cash, end of period	\$ 152,534
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 24,176
Net cash provided by operating activities	\$ 24,176

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

**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 700 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, 2022*

**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 facilities utilized by the School and is reported as a special revenue fund.

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 and is reported as a special revenue fund.



*UNION DAY SCHOOL, INC.*  
*NOTES TO FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED JUNE 30, 2022*

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 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, 2022 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.

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
Computer equipment	3
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 no items that meet this criterion.

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. It is the School's policy that 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 is 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.

**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, 2022**

**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 \$(2,596,428) 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)	\$ 12,745,369
Less accumulated depreciation	(1,121,797)
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>(14,220,000)</u>
Total adjustment	<u>\$ (2,596,428)</u>

**9. Accounting for Uncertainty in Income Taxes**

The School has evaluated their tax positions taken for all open tax years. 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, 2022.

**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, 2022**

**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 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, 2022, **Union Day School, Inc.** received funding from the Boards of Education for Union County Schools, Gaston County Schools, Cabarrus County Schools, Stanly 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 operations of the school.

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

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by a 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 \$(39) 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	\$ 100,684
Depreciation expense that is recorded on the statement of activities but not in the fund statements	(320,723)
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	<u>220,000</u>
Total	<u>\$ (39)</u>

**UNION DAY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**II. Detail Notes on All Funds**

**A. Assets**

**1. Deposits and Investments**

At June 30, 2022, the School and Foundation have deposits with banks and savings and loans with a carrying amount of \$1,899,400. The bank balance with the financial institutions was \$1,997,576. Of the bank balance, \$374,607 was covered by federal depository insurance and \$1,622,969 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, 2022, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 293,500	\$ -	\$ -	\$ 293,500
Construction in progress	-	11,925	-	11,925
Total capital assets not being depreciated	<u>293,500</u>	<u>11,925</u>	<u>-</u>	<u>305,425</u>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	12,280,795	-	-	12,280,795
Computer equipment	-	66,874	-	66,874
School furniture and equipment	70,390	21,885	-	92,275
Total capital assets being depreciated	<u>12,351,185</u>	<u>88,759</u>	<u>-</u>	<u>12,439,944</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	789,325	307,020	-	1,096,345
Computer equipment	-	4,728	-	4,728
School furniture and equipment	11,749	8,975	-	20,724
Total accumulated depreciation	<u>801,074</u>	<u>\$ 320,723</u>	<u>\$ -</u>	<u>1,121,797</u>
Total capital assets being depreciated, net	<u>11,550,111</u>			<u>11,318,147</u>
<b>Governmental activity capital assets, net</b>	<u>\$11,843,611</u>			<u>\$ 11,623,572</u>

Depreciation expense was charged to governmental functions as follows:

Instructional services	\$ 288,651
System-wide supporting services	32,072
	<u>\$ 320,723</u>

**3. Restricted 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 \$1,119,989 at June 30, 2022.

*UNION DAY SCHOOL, INC.*  
*NOTES TO FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED JUNE 30, 2022*

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 \$73 at June 30, 2022.

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 \$198,612 at June 30, 2022.

Construction Reserve Fund – Set up for a temporary time period to pay for a DOT project. The balance of the construction reserve fund was \$137,890 at June 30, 2022.

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, 2022, 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, 2022, the School contributions were \$73,273 and member contributions were \$96,748.

2. Risk Management

The School is exposed to various risks of loss 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 three fiscal years.

**UNION DAY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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

**3. 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, 2022, debt service requirements of the outstanding bonds, assuming current interest rates as of June 30, 2022 remain the same in the future years, were as follows:

Year Ending June 30	Variable Rate Bonds		
	Principal	Interest	Total
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	300,000	818,849	1,118,849
2028-2032	1,785,000	3,794,352	5,579,352
2033-2037	2,415,000	3,168,852	5,583,852
2038-2042	3,250,000	2,322,591	5,572,591
2043-2047	4,390,000	1,179,652	5,569,652
2048	1,050,000	65,418	1,115,418
	<u>\$ 14,220,000</u>	<u>\$ 14,788,631</u>	<u>\$ 29,008,631</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, 2022, are as follows:

Coverage Ratio:	
Revenues of the School (Lessee)	\$ 6,731,396
Minus: Operating expenses of the School (Lessee)	(6,191,809)
Plus: Depreciation	15,185
Base lease payments	<u>1,116,316</u>
Net Income Available for Debt Service (A)	<u>\$ 1,627,200</u>
Debt Service:	
Maximum Annual Debt Service (B)	<u>\$ 1,119,988</u>
Resulting Debt Service Coverage Ratio (A/B)	1.49
Minimum Required Ratio	1.20



**UNION DAY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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

Liquidity:

Unrestricted Cash (School only)	<u>\$ 1,872,428</u>
Minimum Required (Net operating expenses of \$6,176,624/ 365 days times 45 days)	<u>\$ 761,502</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, 2022:

	<u>Balance July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>	<u>Current Portion</u>
Governmental activities:					
Bond Payable – Series 2018	\$ 14,440,000	\$ -	\$ 220,000	\$ 14,220,000	\$ 235,000
Total	<u>\$ 14,440,000</u>	<u>\$ -</u>	<u>\$ 220,000</u>	<u>\$ 14,220,000</u>	<u>\$ 235,000</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.

Claims and Judgements

At June 30, 2022, 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.

*UNION DAY SCHOOL, INC.*  
*NOTES TO FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED JUNE 30, 2022*

**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 \$4,620 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 \$18,085 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 \$984 from the State Public School Fund.

**V. Subsequent Events**

Management has evaluated subsequent events through November 29, 2022, 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, 2022*

	Total All Funds	Final Budget	Favorable (Unfavorable) Variance
<b>REVENUES</b>			
State revenue	\$ 4,311,420	\$ 4,418,532	\$ (107,112)
Federal revenue	415,580	652,028	(236,448)
County revenue	1,669,188	1,669,188	-
Child care	43,888	110,000	(66,112)
Other	292,235	46,641	245,594
Total Revenue	6,732,311	6,896,389	(164,078)
<b>EXPENDITURES</b>			
Salaries and bonuses	2,925,669	2,916,249	(9,420)
Benefits	575,722	780,294	204,572
Books and supplies	133,960	180,469	46,509
Contracted student services	148,912	262,745	113,833
Non-capital equipment and leases	133,656	174,300	40,644
Technology	34,273	77,664	43,391
Staff development	21,187	30,745	9,558
Administrative services	438,836	160,371	(278,465)
Insurance	45,995	51,000	5,005
Rent and debt services	1,116,316	1,116,316	-
Facilities	286,133	347,000	60,867
Utilities (Water, Electric, Telephone)	82,578	83,000	422
Nutrition	60,076	53,700	(6,376)
Transportation and travel	131,787	129,000	(2,787)
Before and after school	23,560	28,853	5,293
Capital equipment & purchases	100,684	-	(100,684)
Athletic programs	16,343	15,525	(818)
IB Program	8,899	35,200	26,301
Total Expenditures	6,284,586	6,442,431	157,845
Revenues Over (Under) Expenditures	447,725	\$ 453,958	\$ (6,233)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay	100,684		
Principal payments	220,000		
Depreciation	(320,723)		
Change in net position - total primary government	\$ 447,686		

*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.**  
Weddington, 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, 2022, 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 29, 2022.

**Report on 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

**Report on 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Potter & Company, PA*

November 29, 2022  
Concord, North Carolina



**POTTER & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE; WITH OMB UNIFORM GUIDANCE AND  
THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

**Independent Auditors' Report**

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

**Report on Compliance for Each Major State Program**

***Opinion on Each Major State Program***

We have audited **Union Day School, Inc.**'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of **Union Day School, Inc.**'s major State programs for the year ended June 30, 2022. **Union Day School, Inc.**'s major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 each of its major State programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major State Program***

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 applicable sections of Title 2 *US Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Audits (Uniform Guidance)*, and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of **Union Day School, Inc.** and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of **Union Day School, Inc.**'s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to **Union Day School, Inc.**'s State programs.



### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on **Union Day School, Inc.**'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit performed in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about **Union Day School, Inc.**'s compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding **Union Day School, Inc.**'s compliance with the compliance requirements referred to above and performing such procedures as we consider necessary in the circumstances.
- Obtain an understanding of **Union Day School, Inc.**'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of **Union Day School, Inc.**'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Potter & Company, PA*

November 29, 2022  
Concord, North Carolina

**UNION DAY SCHOOL, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2022**

**Statement 2**  
(Page 1 of 2)

**I. Summary of Auditors' Results**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified \_\_\_ Yes  X  No
- Significant deficiency(s) identified that are not considered to be material weaknesses \_\_\_ Yes  X  None reported
- Noncompliance material to financial statements noted \_\_\_ Yes  X  No

State Awards

Internal control over major State programs:

- Material weakness(es) identified \_\_\_ Yes  X  No
- Significant deficiency(s) identified that are not considered to be material weaknesses \_\_\_ Yes  X  None reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act \_\_\_ Yes  X  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, 2022*

**Statement 2**  
*(Page 2 of 2)*

**II. Financial Statement Findings**

None reported

**III. Federal Award Findings and Questioned Costs**

N/A

**IV. State Award Findings and Questioned Costs**

None reported

*UNION DAY SCHOOL, INC.  
CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2022*

Statement 3

**II. Financial Statement Findings**

None reported

**III. Federal Award Findings and Questioned Costs**

N/A

**IV. State Award Findings and Questioned Costs**

None reported

*UNION DAY SCHOOL, INC.*  
*SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS*  
*For the Year Ended June 30, 2022*

Statement 4

**No prior year findings**

**UNION DAY SCHOOL, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2022**

Statement 5

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing No.	State Number	Expenditures
Federal Grants:			
<u>U. S. Department of Treasury</u>			
Passed-through the N.C. Department of Public Instruction:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	PRC 141	110,342
Total Coronavirus Relief Fund			<u>110,342</u>
Total U. S. Department of Treasury			<u>110,342</u>
<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>Special Education Cluster:</u>			
Individuals with Disabilities Education Act			
Education of the Handicapped	84.027	PRC 060	95,136
Preschool Grants	84.173	PRC 049	237
Special Needs Targeted Assistance	84.027	PRC 118	1,100
Total Special Education Cluster			<u>96,473</u>
Improving Teacher Quality	84.367	PRC 103	6,645
COVID-19 Education Stabilization Fund			
Elementary and Secondary School Emergency Fund (ESSER)			
Governor's Emergency Relief Fund (GEER)			
ESSER I (CARES ACT)	84.425D	PRC 164-167	817
GEER (CARES ACT)	84.425C	PRC 169	11,559
ESSER II (CRRSA))	84.425D	PRC 172-173	76,629
ESSER III (ARP)	84.425D	PRC 182-185, 203	113,115
Total U. S. Department of Education			<u>305,238</u>
Total Federal Assistance			<u>415,580</u>
State Grants:			
<u>N.C. Department of Public Instruction</u>			
State Public School Fund - Charter School	-	PRC 036	4,308,190
Summer Reading	-	PRC 016	3,230
Total State Assistance			<u>4,311,420</u>
Total Federal and State Assistance			<u>\$ 4,727,000</u>

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, 2022. 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 position 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.