



THE CLAIMOUNT GROUP, PLC

Certified Public Accountants

Marvin L. Winans Academy of Performing Arts

(A Michigan Public School Academy)

Financial Statements

For the Year Ended

June 30, 2017



Table of Contents

	Page(s)
Independent Auditor's Report.....	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
Academy-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Governmental Funds:	
Combined Balance Sheet	9
Reconciliation of the Balance Sheet of Governmental Funds to the Net Position of Governmental Activities	10
Statement of Revenue, Expenditures and Changes in Fund Balances	11
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Notes to Financial Statements	13-18
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund.....	19
Additional Supplemental Information	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with General Auditing Standards	20-21
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required By Uniform Guidance	22-23
Schedule of Expenditures of Federal Awards	24
Notes to Schedule of Expenditures of Federal Awards	25
Schedule of Findings and Questioned Costs	26-27



THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Marvin L. Winans Academy of Performing Arts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund (General Fund), and the aggregate remaining fund information of Marvin L. Winans Academy of Performing Arts (the "Academy") as of and for the year ended c, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Academy as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is 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 schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2017, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 the Academy's internal control over financial reporting and compliance.

The Clairmount Group, PLC

The Clairmount Group, PLC
Detroit, MI
October 27, 2017

Marvin L. Winans Academy of Performing Arts

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. Those statements are organized so the reader can understand Marvin L. Winans Academy of Performing Arts (the "Academy") financially as a whole. The government-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. These fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy's operation in more detail than the government-wide financial statements by providing information about the Academy's most significant fund- The General Fund- with all other presented in one column as non-major funds. The components of the annual report are as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

Basic Financial Statements
Government-Wide Financial Statements- Fund Financial Statements
Notes to the Basic Financial Statements
(Required Supplementary Information)
Budgetary Information for Major Fund
Other Supplementary Information

Reporting the Academy as a Whole – Government-Wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Academy's net position- the difference between assets and liabilities, as reported in the statement of net position – as one way to measure the Academy's financial position. Over time, increases or decreases in the Academy's net position – as reported in the statement of activities –are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of education provided and the safety of the school, to assess the overall health of the Academy.

The statement of net position and the statement of activities report the governmental activities for the Academy, which encompasses all of the Academy's services, including instruction, support services, and athletics. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

Marvin L. Winans Academy of Performing Arts

Management's Discussion and Analysis (continued)

Reporting the Academy's Governmental Fund – Fund Financial Statements

The Academy's fund financial statements provide detailed information about the General Fund- not the Academy as a whole. The governmental funds of the Academy use the following accounting approach:

Governmental Funds- All of the Academy's services are reported in the governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of operations of the Academy and services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or difference) between governmental activities (reported in the statement of net position and the statement of activities) and the governmental fund reconciliations.

The Academy as a Whole

As discussed above, the Statement of Net position provides information of the Academy as a whole. Table 1 provides a summary of the Academy's net position as of June 30, 2017 and 2016:

Table 1- Summary of Marvin L. Winans Academy of Performing Arts' Net Position

	Governmental Activities (in thousands)	
<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$2,330.6	\$1,573.4
Capital assets - net of accumulated depreciation	1,585.8	1,800.3
Total Assets	<u>3,916.4</u>	<u>3,373.7</u>
<u>Liabilities</u>		
Current liabilities	<u>728.6</u>	<u>934.5</u>
<u>Net Position</u>		
Invested in capital assets	1,585.8	1,800.3
Unrestricted	1,602.0	638.9
Total Net Position	<u>3,187.8</u>	<u>2,439.2</u>
Total Liabilities and Net Position	<u>3,916.4</u>	<u>3,373.7</u>

Net Position - The Academy's financial position increased from the prior period as total net position increased by \$409.9 thousands. The increase in the financial position is primarily due to recognizing previous year's unearned revenue.

Marvin L. Winans Academy of Performing Arts Management's Discussion and Analysis (continued)

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the Academy's governmental activities is discussed below. The Academy's net position was \$3,197.8 thousands at June 30, 2017. Capital assets, recorded at historical cost, net of depreciation and related debt, totaled \$1,585.8 thousands. The remaining amount of net position, \$638.9 thousands, was unrestricted that represents accumulated results of all past year's operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Academy as a whole are reported in the statement of activities (see Table 2), which shows the change in net position for fiscal year ended June 30, 2017.

Table 2 – Summary of the Statement of Activities

	Governmental Activities (in thousands)	
<u>Revenues</u>	<u>2017</u>	<u>2016</u>
Program Revenues:		
Operating grants and contributions	\$1,163.5	\$1,825.3
General Revenues:		
State foundation allowance	5,135.3	4,879.7
Other		(\$15.7)
Total Revenues	<u>6,485.3</u>	<u>6,689.3</u>
Function/Program Expenses:		
Instruction	2,805.6	2,851.3
Support services	2,716.6	3,284.7
Depreciation	214.5	214.5
Total Expenses	<u>5,736.7</u>	<u>6,350.5</u>
Increase (Decrease) in Net Position	<u>\$748.7</u>	<u>\$338.8</u>

Change in Net Assets

As reported in the statement of activities, the cost of all of our governmental activities this year was \$5,736.7 thousands. Certain activities were partially funded from those who benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions of \$1,163.5 thousands. We paid for the remaining "public benefit" portion of our governmental activities with \$5,135.3 thousands in state foundation allowance and with our other revenues.

As discussed above, the net cost shows the financial burden that was placed on the Academy by each of these functions. Since unrestricted state aid constitutes the vast majority of the Academy operating revenue sources, the board of directors and administration must annually evaluate the needs of the Academy and balance those needs with state-prescribed available unrestricted resources.

Marvin L. Winans Academy of Performing Arts Management's Discussion and Analysis (continued)

The Academy's Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources the state and others provide to it and may provide insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a combined fund balance of \$638.9 thousands. The General Fund is available to fund costs related to school operations.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2017, the Academy had \$1,585.8 thousands invested in net capital assets, including leasehold improvements, furniture, and equipment. The amount represents a net decrease, including additions and disposals, of approximately from last year.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditure does not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

There were revisions made to the 2016-2017 General Fund original budget. Budgeted revenues decreased by \$307.2 thousands due mainly to utilizing a more accurate student enrollment amount after count day than previously budgeted.

Overall the budgeted expenditures decreased approximately \$1,068.8 thousands, mainly in instructional expenses and general administration.

Economic Factors affecting Next Year's Budget

The Academy's administration considered many factors when setting the Academy's 2015 fiscal year's budget. One of the most important factors affecting the budget is the Academy's student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. Currently the foundation allowance is \$7,611 for fiscal year 2017-2018. The blended count for the fiscal year is 10 percent and 90 percent of February 2017 and September 2017 student count, respectively. Historically, schools could expect an increase to the foundation allowance yearly.

The 2017-2018 budget was adopted in June 2017, based on estimated number of students that will be enrolled in September 2017. Approximately, 85 percent of the total general fund revenue is from the foundation allowance. The Academy is also looking to receive more grants and private revenues. This will allow the Academy to place more funds in the classroom and enhance its financial position.

For more information, please contact the Financial Director at 313-873-7625.

Marvin L. Winans Academy of Performing Arts
Statement of Position
June 30, 2017

Assets	
Current Assets	
Cash and investments	\$ 1,055,243
Due from governmental units	1,274,485
Other assets	903
Total current assets	<u>2,330,631</u>
Capital Assets - net of accumulated depreciation	<u>1,585,801</u>
Total assets	<u><u>\$ 3,916,432</u></u>
Liabilities and Net Position	
Liabilities	
Accounts payable	\$ 100,577
Note payable	112,268
Management payable	110,119
Accrued salaries payable	405,643
Total current liabilities	<u>728,607</u>
Net Position	
Invested in capital assets - net of related debt	1,585,801
Unrestricted	<u>1,602,024</u>
Total net position	<u>3,187,825</u>
Total liabilities and net position	<u><u>\$ 3,916,432</u></u>

The accompanying notes are an integral part of these financial statements

Marvin L. Winans Academy of Performing Arts
Statement of Activities
Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Assets</u>
Primary government-Governmental Activities:				
Instruction	\$ 2,805,633	\$ -	\$ 1,109,611	\$ (1,696,022)
Support services				
Pupil	47,931	-	-	(47,931)
Instructional	143,015	-	53,907	(89,108)
General administration	600,214	-	-	(600,214)
School administration	475,647	-	-	(475,647)
Business services	22,449	-	-	(22,449)
Operation and maintenance	1,254,997	-	-	(1,254,997)
Pupil transportation and services	92,520	-	-	(92,520)
Other services	79,783	-	-	(79,783)
Depreciation unallocated	214,480	-	-	(214,480)
Total Governmental Activities	<u>\$ 5,736,669</u>	<u>\$ -</u>	<u>\$ 1,163,518</u>	(4,573,151)
General Revenues:				
State aid not restricted to specific purposes				5,135,252
Other income				186,553
Total general revenues				<u>5,321,805</u>
Change in net position				748,654
Net Position, July 1, 2016				<u>2,439,171</u>
Net Position, June 30, 2017				<u>\$ 3,187,825</u>

The accompanying notes are an integral part of these financial statements.

Marvin L. Winans Academy of Performing Arts
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund
Assets	
Cash and cash equivalents	\$ 1,055,243
Due from other governmental units	1,274,485
Other assets	903
Total assets	<u>\$ 2,330,631</u>
Liabilities	
Accounts payable	\$ 100,577
Note payable	112,268
Management payable	110,119
Accrued salaries payable	405,643
Total liabilities	<u>728,607</u>
Fund Balance	
Unassigned	<u>1,602,024</u>
Total liabilities and fund balance	<u>\$ 2,330,631</u>

The accompanying notes are an integral part of these financial statements.

**Marvin L. Winans Academy of Performing Arts
Reconciliation of the Total Governmental
Fund Balance to Net Position of Governmental Activities
Year Ended June 30, 2017**

Fund Balance - Total governmental funds \$ 1,602,024

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

Capital assets used in governmental activities are
not financial resources and are not reported
in governmental funds

Cost of capital assets

4,535,484

Accumulated depreciation

(2,949,683)

1,585,801

Total Net Position - Governmental activities

\$ 3,187,825

The accompanying notes are an integral part of these financial statements.

Marvin L. Winans Academy of Performing Arts
Governmental Funds
Statement of Revenue, Expenditures and Changes in Fund Balance
Year Ended June 30, 2017

	General Fund
Revenues	
Local sources	\$ 186,553
State sources	5,514,437
Federal sources	784,333
Total revenues	<u>6,485,323</u>
Expenditures	
Current	
Instruction services	
Basic programs	1,572,470
Added needs	1,233,163
Total instruction	<u>2,805,633</u>
Support services	
Pupil	47,931
Instructional	143,015
General administration	600,214
School administration	475,647
Business services	22,449
Operation and maintenance	1,254,997
Pupil transportation and services	92,520
Other services	79,783
Total support services	<u>2,716,556</u>
 Total expenditures	 5,522,189
 Excess of Revenue Over Expenditures	 963,134
 Fund Balance - Beginning of year	 <u>638,890</u>
 Fund Balance - End of year	 <u>\$ 1,602,024</u>

The accompanying notes are an integral part of these financial statements.

Marvin L. Winans Academy of Performing Arts
Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2017

Net Change in Fund Balance - Total governmental funds	\$	963,134
Amounts reported for governmental activities in the statement of activities are different because:		
Depreciation and amortization expense		<u>(214,480)</u>
Change in Net Position of Governmental Activities	\$	<u>748,654</u>

The accompanying notes are an integral part of these financial statements

Marvin L. Winans Academy of Performing Arts
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Marvin L. Winans Academy of Performing Arts (the "Academy") conform to accounting principles accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy

Reporting Entity

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy was established on May 12, 1997 as a public school academy. The Academy is located in the metropolitan Detroit area providing education for approximately 641 students in grades K-8.

On May 12, 1997, the Academy entered into a 5 year contract with the Saginaw Valley State University Board of Trustees to charter a public school academy. The charter was renewed on – July 1, 2016 and expires June 30, 2019. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. The Saginaw Valley University Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Saginaw Valley State University Board of Trustees 3% of state aid as administrative fees. The total administrative fees for the year ended June 30, 2017 to the Saginaw Valley State University Board of Trustees were \$123,815.

Administrative Services

On June 1, 2015, the Academy entered into an automatic renewal management agreement with Solid Rock Management Company that expired June 30, 2017. Under the terms of the agreement, Solid Rock is responsible for complete management, operations, administration and educational program of the Academy. The Academy paid a fee of \$447,500 to Solid Rock Management Company.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Marvin L. Winans Academy of Performing Arts
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As a general rule, the effect of interfund activity is eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributors; and (3) capital grants and contributors. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted state and federal aid.

Assets, Liabilities and Net Position or Equity

Cash and Investments – Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Accounts receivable are shown net of allowance for uncollectible amounts. Management determines the allowance based on a specific review of items where collectability is questionable.

Capital Assets - Capital assets, which include building improvements and furniture and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

Building, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Building and building additions	7 to 50 years
Machines and equipment	10 to 20 years
Computers and software	5 years
Furniture and other equipment	20 years

Deferred Outflows/Inflows - In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy has no outflows to report in the statement of net position and/or balance sheet as of June 30, 2017.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position – Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net position consists of the following:

Net investment in capital assets – Consists of historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – Consists of restricted assets less any accrued interest.

Unrestricted net position – Consists of all other assets that do not meet the definition of “restricted” or “Net investment in capital assets”.

Fund Equity – In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change. The fund balances are classified as shown below:

Unassigned: The residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information- Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law.

State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The Academy increased budgeted amounts during the year in response to changes in enrollment and related revenues and expenditures.

Marvin L. Winans Academy of Performing Arts
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures over Appropriations in Budgeted Funds - During the year, the Academy did incur expenditures in the General Fund in excess of budgeted amounts as shown below.

	<u>Final Budget</u>	<u>Actual</u>	<u>Total</u>
Pupil services	\$ -	\$ 47,931	\$ 47,931
Business support	10,371	22,449	12,078
Operations and maintenance	1,236,324	1,254,997	18,673
Pupil transportation and services	83,782	92,520	8,738
Other services	46,412	79,783	33,371

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, banker's acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority. The Academy has designated three banks for the deposit of its funds. The Academy's cash and investments are subject to several types of risks, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the Academy's deposits for custodial credit risk. At year end, the Academy's deposit balance was \$1,224,344 in one account with \$974,344 bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk – State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Academy's investment policy does not further limit its investment choices. At year end, the Academy had no investments.

Concentration of Credit Risk – The Academy places no limit on the amount the Academy may invest in any one issuer. The Academy does not have a policy to minimize concentration of credit risk.

Marvin L. Winans Academy of Performing Arts
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 4 – RECEIVABLES

Receivables as of year-end for the Academy's individual major funds and the non-major funds in the aggregate, including the applicable allowances for uncollectible accounts. At the end of the fiscal year, receivables were as shown below:

	<u>2017</u>
State of Michigan	\$ 1,004,332
Federal	166,584
Other	103,569
	<u>\$ 1,274,485</u>

All receivables were deemed collectible as of June 30, 2017.

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets being depreciated:				
Building and improvements	\$ 2,983,950	\$ -	-	\$ 2,983,950
Furniture & Equipment	1,544,676	-	-	1,544,676
Signage	6,858	-	-	6,858
Subtotal	<u>4,535,484</u>	<u>-</u>	<u>-</u>	<u>4,535,484</u>
Accumulated depreciation:				
Building and improvements	1,373,264	113,045	-	1,486,309
Furniture & Equipment	1,355,081	101,435	-	1,456,516
Signage	6,858	-	-	6,858
Subtotal	<u>2,735,203</u>	<u>214,480</u>	<u>-</u>	<u>2,949,683</u>
Net capital assets being depreciated	<u>\$ 1,800,281</u>	<u>\$ (214,480)</u>	<u>\$ -</u>	<u>\$ 1,585,801</u>

Depreciation expense was not charged to activities, as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 – NOTE PAYABLE

As of June 30, 2017, the Academy had approximately \$112,267 outstanding of notes due to the State of Michigan. The Academy participated in the State Loan Note Borrowing Program. The Academy had interest expense of \$11,677.

Marvin L. Winans Academy of Performing Arts
Notes to Financial Statements (Continued)
June 30, 2017

NOTE 7 – OPERATING LEASES

On July 1, 2016, an agreement was entered into by Perfecting Holdings (lessor) and Marvin L. Winans Academy of Performing Arts, Inc. (lessee). The lease calls for monthly rent of \$75,000 and expires on June 30, 2018. Total rent expense charged in these financial statements was \$900,000.

Related Party Lease – One of the owners of Solid Rock Management Company is the President of the board of Perfecting Holdings (a non-profit organization).

The Academy leases copiers under operating leases agreements. The following is a schedule of future minimum rental payments for the years ending June 30. The Academy had operating lease expense of \$28,079.

2018	\$	29,250
2019		29,250
2020		29,250
2021		18,000
Total	\$	<u>105,750</u>

NOTE 8 – LEASED EMPLOYEES

The Academy leases its entire staff from Solid Rock Management Company (the “Solid Rock”). Solid Rock is responsible for providing personnel to the Academy and the Academy shall reimburse Solid Rock for its payment of all such compensation as approved by the Board and provided for in the budget.

NOTE 9 – RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company is covered by insurance held by the employee leasing company. The Academy has purchased commercial insurance for all other claims.

NOTE 10 – CONTINGENCIES

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

Note 11 – SUBSEQUENT EVENTS

On August 21, 2017, the Academy participated in the State Aid Borrowing Program. The Academy borrowed \$625,000 at an interest rate of 4.75% percent.

Subsequent events have been evaluated through October 27, 2017, which is the date the financial statements were available to be issued. Events occurring after the date have not been evaluated to determine whether a change in the financial statements would be required.

Required Supplemental Information

Marvin L. Winans Academy of Performing Arts
Required Supplemental Information
Budget Comparison Schedule - General Fund
June 30, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 290,809	\$ 157,279	\$ 186,553	\$ 29,274
State sources	5,636,007	5,498,575	5,514,437	15,862
Federal sources	850,454	814,235	784,333	(29,902)
	<u>6,777,270</u>	<u>6,470,089</u>	<u>6,485,323</u>	<u>15,234</u>
Total Revenue				
Expenditures				
Current				
Instruction:				
Basic programs	2,171,550	1,625,181	1,572,470	(52,711)
Added needs	1,581,682	1,356,390	1,233,163	(123,227)
	<u>3,753,232</u>	<u>2,981,571</u>	<u>2,805,633</u>	<u>(175,938)</u>
Total Instruction				
Support Services:				
Pupil	-	-	47,931	47,931
Instructional	203,362	178,225	143,015	(35,210)
General administration	742,532	627,666	600,214	(27,452)
School administration	568,294	514,357	475,647	(38,710)
Business support	32,250	10,371	22,449	12,078
Operation and maintenance	1,307,200	1,236,324	1,254,997	18,673
Pupil transportation and services	80,400	83,782	92,520	8,738
Central services	30,000	17,801	-	(17,801)
Other services	60,000	46,412	79,783	33,371
	<u>3,024,038</u>	<u>2,714,938</u>	<u>2,716,556</u>	<u>1,618</u>
Total Support Services				
Other Financing Sources (Uses)				
Transfers Out	-	11,897	-	(11,897)
	<u>6,777,270</u>	<u>5,708,406</u>	<u>5,522,189</u>	<u>(186,217)</u>
Total Expenditures				
Net Change in Fund Balance	-	761,683	963,134	201,451
Fund Balance - July 1, 2016	<u>194,543</u>	<u>471,127</u>	<u>638,890</u>	<u>-</u>
Fund Balance - June 30, 2017	<u>\$ 194,543</u>	<u>\$ 1,232,810</u>	<u>\$ 1,602,024</u>	<u>\$ 201,451</u>

Additional Required Supplementary Information



THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Board of Directors of
Marvin L. Winans Academy of Performing Arts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marvin L. Winans Academy of Performing Arts, for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated October 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

The Clairmount Group, PLC

The Clairmount Group, PLC
Detroit, MI
October 26, 2017



THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance

Independent Auditor's Report

To the Board of Directors of
Marvin L. Winans Academy of Performing Arts

Report on Compliance for Each Major Federal Program

We have audited Marvin L. Winans Academy of Performing Arts (the "Academy") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2017. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Marvin L. Winans Academy of Performing Arts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Code.

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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

The Clairmount Group

The Clairmount Group, PLC
Detroit, Michigan
October 26, 2017

**Marvin L. Winans Academy of Performing Arts
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

Program Title/Project Number Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2016	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2017
U.S. Department of Education:								
Passed through the Wayne County ISD:	84.027							
I.D.E.A. Flow through								
Project number 15160050450		-	-	40,062	-	40,062	-	-
Project number 16170050450		45,360	-	-	-	-	45,360	45,360
Total Passed through Wayne County ISD		45,360	-	40,062	-	40,062	45,360	45,360
Passed through the Michigan Department of Education:								
Title I, Part A - Improving Basic Program	84.010							
Project number 161530		617,281	525,799	145,315		166,277	20,962	-
Project number 171530		890,256	-	-	-	551,491	664,103	112,612
Total Title I, Part A		1,507,537	525,799	145,315	-	717,768	685,065	112,612
Title II, Part A - Teacher/Principal Training	84.367							
Project number 160520		77,336	59,865	3,211	-	33,106	29,895	-
Project number 170520		72,285	-	-	-	15,399	24,011	8,612
Total Title II, Part A		149,621	59,865	3,211	-	48,505	53,906	8,612
Total Passed through the Michigan Department of Education		1,657,158	585,664	148,526	-	766,273	738,971	121,224
Total Expenditures of Federal Awards		\$ 1,702,518	\$ 585,664	\$ 188,588	\$ -	\$ 806,335	\$ 784,331	\$ 166,584

Note 1 – Basis of Presentation and Significant Accounting Policies

The accompanying schedule of federal awards (the “Schedule”) includes the federal grant activity of Marvin L. Winans Academy of Performing Arts under programs of the federal government for the year ended June 30, 2017. Expenditures reported on the Schedule are reported on the same basis of accounting as the general purpose financial statements. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Therefore some amounts presented in the schedule may differ from amounts presented in, or used in preparation of the general purpose financial statements.

Because the Schedule presents only a selected portion of the operations of Marvin L. Winans Academy of Performing Arts, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of Marvin L. Winans Academy of Performing Arts. Pass-through entity identifying numbers are presented where available.

Note 2 – Grant Auditor’s Report

Management has utilized the Cash Management System (CMS) Grant Auditor’s Report in preparing the schedule of expenditure of federal awards.

Marvin L. Winans Academy of Performing Arts
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number
84.01

Name of Federal Program or Cluster:
Title I, Part A - Improving Basic Programs

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II – Financial Statement Findings

There were none

Section III – Federal Award Findings and Questioned Costs

There were none.

Section IV - Summary Schedule of Prior Audit Findings

There were none.