

**Audited Financial Statements**

# **Momentum Academy**

Hazel Park, Michigan

**June 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors of Momentum Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Momentum Academy as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Momentum 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinions

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, 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 the 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 Momentum Academy's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and schedules of revenues and expenditures, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedules of revenues and expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedules of revenues and expenditures are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our consideration of Momentum 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 effectiveness of Momentum Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Momentum Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

### To the Board of Directors of Momentum Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Momentum Academy, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Momentum Academy's basic financial statements, and have issued our report thereon dated October 31, 2017.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Momentum 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 Momentum Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Momentum Academy's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Momentum 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.

A handwritten signature in blue ink that reads "Crosby Lanni, PC". The signature is written in a cursive style.

Croskey Lanni, PC

October 31, 2017  
Rochester, Michigan

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

This section of Momentum Academy’s, annual financial report presents our discussion and analysis of the school’s financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the school’s financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

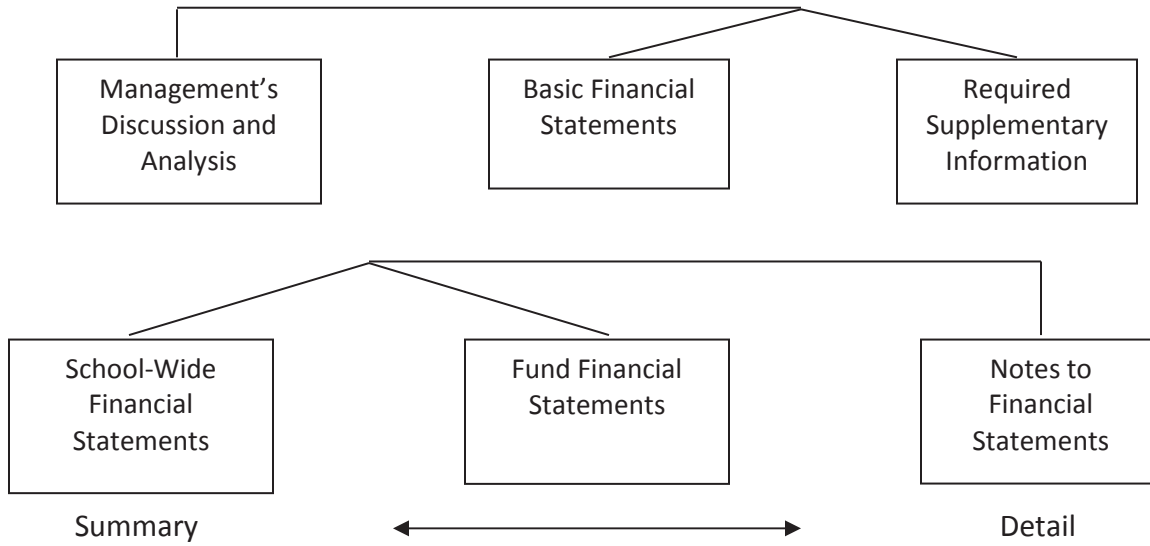
- ❖ The total cost of basic programs was \$473,408.
- ❖ Revenues were at \$1,228,959 while expenditures were \$1,242,507 in the General Fund.
  - Blended enrollment used for state aid purposes was 114.59.
- ❖ The school has a positive General Fund balance of \$33,886.
- ❖ The school made principal payments of debt in July of 2016 and 2017. No additional debt has been incurred.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the school:

- ❖ The first two statements are school-wide financial statements that provide both short-term and long-term information about the school’s overall financial status.
- ❖ The remaining statements are fund financial statements that focus on individual parts of the school, reporting the schools operations in more detail.
- ❖ The governmental fund statements tell how basic services like regular and special education were financed.
- ❖ Fiduciary funds statements provide information about the financial relationships in which the school acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the school on behalf of the student group.

**Figure A-1  
Organization of Momentum’s Annual Financial Report**



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the school’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-2  
Major Features of School-Wide and Fund Financial Statements**

**Fund Financial Statements**

	<b>School-Wide Statements</b>	<b>Government Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the school administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	*Statement of net position *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of fiduciary net position *Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid



Figure A-2 summarizes the major features of the school's financial statements, including the portion of the schools activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

## **SCHOOL-WIDE STATEMENTS**

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the school's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school wide statements report the school's net position and how it has changed. Net position – the difference between the school's assets and liabilities – are one way to measure the school's financial health or position.

- ❖ Over time, increases or decreases in the school's assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- ❖ To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school's enrollment and the condition of school buildings and other facilities.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the school's funds, focusing on its most significant or "major" funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- ❖ *Governmental activities* – Most of the school's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has one kind of fund:

- ❖ *Governmental funds* – Most of the school's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explains the relationship (or differences) between them.

## FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The school's financial position is the product of many factors.

### **General Fund Budgetary Analysis**

Over the course of the year, the school reviewed and amended the annual operating budget several times.

### **Financial Outlook**

The Momentum Academy's financial forecast continues to be optimistic heading into the 2017/2018 school year.

- ❖ Enrollment is anticipated to increase for the fiscal year ending June 30, 2018.

**Figure A-3**  
**Momentum Academy's Net Position**

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 383,390	\$ 464,175
Capital assets	<u>107,821</u>	<u>139,867</u>
Total assets and deferred outflows	491,211	604,042
Long-term debt outstanding	87,007	130,511
Other liabilities	<u>344,298</u>	<u>413,366</u>
Total liabilities	431,305	543,877
Net position:		
Restricted	20,814	9,356
Unrestricted	<u>39,092</u>	<u>50,809</u>
Total net position	<u>\$ 59,906</u>	<u>\$ 60,165</u>

**Figure A-4**  
**Changes in Momentum Academy's Net Position**

	<b>2017</b>	<b>2016</b>
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Federal and state operating grants	458,099	481,784
General revenues:		
State aid – unrestricted	849,159	1,128,825
Miscellaneous	8,222	150
Total revenues	1,315,480	1,610,759
Expenses:		
Instruction	697,074	735,915
Support services and community services	586,619	860,118
Depreciation	32,046	32,046
Total expenses	1,315,739	1,628,079
Change in net position	\$ (259)	\$ (17,320)

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2017, the school had invested \$216,088 in capital assets, including computers and software. See Figure A-5 below for a listing of capital assets, and the accumulated depreciation.

**Figure A-5**  
**Momentum Academy's Capital Assets**

	<b>Balance June 30, 2017</b>	<b>Balance June 30, 2016</b>
Equipment	\$ 111,717	\$ 111,717
Computers	78,111	78,111
Other	26,260	26,260
Sub-total	216,088	216,088
Less: accumulated depreciation	108,267	76,221
Net book value of assets	\$ 107,821	\$ 139,867

## **Long-Term Debt**

- ❖ By the end of 2017, the Academy had \$87,007 in long-term debt.

## **FACTORS BEARING ON THE SCHOOL'S FUTURE**

- ❖ Continuation of positive enrollment trends
- ❖ State aid foundation grant stabilization

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our students, parents and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the management office at:

The Romine Group 7877 Stead, Utica, MI 48317 (586)731-5300

# MOMENTUM ACADEMY

## STATEMENT OF NET POSITION JUNE 30, 2017

### ASSETS AND DEFERRED OUTFLOWS

#### Current Assets

Cash and cash equivalents	\$	26,849
Deposits		10,000
Due from other governmental units		342,516
Prepaid expenses		4,025
		<hr/>
Total current assets		383,390

#### Capital Assets - Net of Accumulated Depreciation

107,821

Total assets and deferred outflows

\$ 491,211

### LIABILITIES, DEFERRED INFLOWS AND NET POSITION

#### Current Liabilities

Accounts payable	\$	229,414
Notes payable		36,726
Unearned revenue		1,712
Other accrued expenses		76,446
Long-term debt - current portion		43,504
		<hr/>
Total current liabilities		387,802

#### Long-Term Debt - Long-Term Portion

43,503

#### Net Position

Net investment in capital assets		20,814
Unrestricted		39,092
		<hr/>
Total net position		59,906
		<hr/>
Total liabilities, deferred inflows and net position	\$	<u>491,211</u>

See accompanying notes to financial statements

## MOMENTUM ACADEMY

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
<b>Functions</b>				
Instruction				
Basic programs	\$ 473,408	\$ -	\$ 183,785	\$ (289,623)
Added needs	223,666	-	171,424	(52,242)
Support services				
Pupil support services	55,776	-	-	(55,776)
Instructional staff support services	3,304	-	-	(3,304)
General administration	57,741	-	-	(57,741)
School administration	144,436	-	5,400	(139,036)
Business support services	16,313	-	-	(16,313)
Operations and maintenance	128,159	-	10,969	(117,190)
Pupil transportation services	80,850	-	-	(80,850)
Food services	84,690	-	86,521	1,831
Community services	15,350	-	-	(15,350)
Unallocated depreciation	32,046	-	-	(32,046)
Total primary government	\$ 1,315,739	\$ -	\$ 458,099	(857,640)
<b>General Purpose Revenues</b>				
State school aid - unrestricted				849,159
Miscellaneous revenues				8,222
Total general purpose revenues				857,381
Change in net position				(259)
Net position - July 1, 2016				60,165
Net position - June 30, 2017				\$ 59,906

See accompanying notes to financial statements

## MOMENTUM ACADEMY

### COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2017

#### ASSETS

	General	Non-Major Special Revenue	Total
Cash and cash equivalents	\$ 26,849	\$ -	\$ 26,849
Deposits	10,000	-	10,000
Due from other governmental units	342,516	-	342,516
Due from other funds	-	5,206	5,206
Prepaid expenses	4,025	-	4,025
Total assets	\$ 383,390	\$ 5,206	\$ 388,596

#### LIABILITIES AND FUND BALANCE

##### Liabilities

Accounts payable	\$ 229,414	\$ -	\$ 229,414
Notes payable	36,726	-	36,726
Due to other funds	5,206	-	5,206
Unearned revenue	1,712	-	1,712
Other accrued expenses	76,446	-	76,446
Total liabilities	349,504	-	349,504

##### Fund Balance

Nonspendable	14,025	-	14,025
Restricted	-	5,206	5,206
Unassigned	19,861	-	19,861
Total fund balance	33,886	5,206	39,092
Total liabilities and fund balance	\$ 383,390	\$ 5,206	\$ 388,596

See accompanying notes to financial statements

## MOMENTUM ACADEMY

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2017

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

<b>Total Governmental Fund Balances</b>	\$ 39,092
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$216,088 and the accumulated depreciation is \$108,267.	107,821
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(87,007)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 59,906</u>

See accompanying notes to financial statements



## MOMENTUM ACADEMY

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	General	Non-Major Special Revenue	Total
<b>Revenues</b>			
Local sources	\$ 8,222	\$ -	\$ 8,222
State sources	1,082,240	2,442	1,084,682
Federal sources	132,930	84,079	217,009
Interdistrict sources	5,567	-	5,567
	1,228,959	86,521	1,315,480
<b>Expenditures</b>			
Instruction			
Basic program	473,408	-	473,408
Added needs	223,666	-	223,666
Support services			
Pupil support services	55,776	-	55,776
Instructional staff support services	3,304	-	3,304
General administration	57,741	-	57,741
School administration	144,436	-	144,436
Business support services	16,313	-	16,313
Operations and maintenance	128,159	-	128,159
Pupil transportation services	80,850	-	80,850
Food services	-	84,690	84,690
Community services	15,350	-	15,350
Debt principal and interest	43,504	-	43,504
	1,242,507	84,690	1,327,197
Excess (deficiency) of revenues over expenditures	(13,548)	1,831	(11,717)
Fund balance - July 1, 2016	47,434	3,375	50,809
Fund balance - June 30, 2017	\$ 33,886	\$ 5,206	\$ 39,092

See accompanying notes to financial statements

## MOMENTUM ACADEMY

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (11,717)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Depreciation and amortization expense	(32,046)
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	<u>43,504</u>
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<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (259)</u></u>
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See accompanying notes to financial statements

# MOMENTUM ACADEMY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Momentum Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

#### Reporting Entity

Momentum Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on January 25, 2013, and began operation in July 2013.

In January 2013, the Academy entered into a five-year contract, commencing on July 1, 2013, with Lake Superior State University's Board of Trustees to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's 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 Lake Superior State University's Board of Trustees three percent of State aid as administrative fees. Total administrative fees paid for the year ended June 30, 2017 were approximately \$29,100.

In March 2013, the Academy entered into an agreement with The Romine Group, Inc., "TRG", coterminous with the Contract issued to the Academy by the University Board. Under the terms of this agreement, TRG will provide a variety of services including accounting services, educational planning, payroll, and human resource services. The Academy is obligated to pay TRG eleven percent of all fund received pursuant to the State School Aid Act of 1979 and should not be less than \$150,000 nor exceed \$350,000 in any one academic year. TRG waived the contractual requirement for the school for the year ended June 30, 2017 with no intention to collect or enforce the contractual obligation in future years for these forgiven fees.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school academy. Based on application of criteria, the Academy does not contain component units.

#### Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

# MOMENTUM ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### **Basis of Presentation – Fund Accounting**

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

### **Governmental Funds**

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

**General Fund** - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**Special Revenue Fund** - The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the special revenue fund will be covered by an operating transfer from the general fund. .

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.

## **MOMENTUM ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

#### **Government-Wide Financial Statements**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government-wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position's use is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government - wide financial statements.

## **MOMENTUM ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Cash and Cash Equivalents**

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held no investments during the year ended June 30, 2017. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

#### **Receivables**

Receivables at June 30, 2017 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2017 and are considered current for the purposes of these financial statements.

#### **Prepaid Assets**

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

#### **Capital Assets and Depreciation**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

## MOMENTUM ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

#### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

#### Net Position

Net position represents the difference between assets, deferred outflows and liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

#### Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.

## **MOMENTUM ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

#### **Estimates**

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

### **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2017 the budget was amended in a legally permissible manner. Total board appropriations exceeded actual expenditures as detailed on page 18 of these financial statements.

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

#### **Interest Rate Risk**

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.



## **MOMENTUM ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### **NOTE 3 - DEPOSITS AND INVESTMENTS - Continued**

#### **Credit Risk**

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2017, the Academy had no investments.

#### **Concentration of Credit Risk**

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2017, the Academy had no investments.

#### **Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2017, all of the Academy's cash was fully covered by federal deposit insurance. All cash balances were uncollateralized as of June 30, 2017.

#### **Custodial Credit Risk - Investments**

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

#### **Foreign Currency Risk**

The Academy is not authorized to invest in investments which have this type of risk.

#### **Fair Value**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

## MOMENTUM ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

### NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

Local sources	\$ 1,491
State sources	202,691
Federal sources	<u>138,334</u>
Total	<u>\$ 342,516</u>

## MOMENTUM ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets subject to depreciation				
Equipment	\$ 111,717	\$ -	\$ -	\$ 111,717
Computers	78,111	-	-	78,111
Other	26,260	-	-	26,260
Sub-total	216,088	-	-	216,088
Accumulated depreciation				
Equipment	30,105	11,172	-	41,277
Computers	31,235	15,622	-	46,857
Other	14,881	5,252	-	20,133
Sub-total	76,221	32,046	-	108,267
Total net capital assets	<u>\$ 139,867</u>	<u>\$ (32,046)</u>	<u>\$ -</u>	<u>\$ 107,821</u>

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

### NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2017 can be summarized as follows:

#### Loan Information

	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Other</u>
2015 SAN	2.60%	August, 2016	Paid in full
2016 SAN	2.65%	August, 2017	Secured by future State Aid payments

## MOMENTUM ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 6 – NOTES PAYABLE - Continued

#### Loan Activity

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2017</u>
2015 SAN	\$ 40,359	\$ -	\$ 40,359	\$ -
2016 SAN	-	200,000	163,274	36,726
Total	<u>\$ 40,359</u>	<u>\$ 200,000</u>	<u>\$ 203,633</u>	<u>\$ 36,726</u>

### NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

Purchased services - payroll and benefits	\$ 71,184
University oversight fee	<u>5,262</u>
Total other accrued expenses	<u>\$ 76,446</u>

### NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

Long-term obligations as of June 30, 2017 can be summarized as follows:

#### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Loan #1	0%	June, 2019	Agreement amended changing payments to start July 2016; payable to management company

#### Loan Activity

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Loan #1	<u>\$ 130,511</u>	<u>\$ -</u>	<u>\$ 43,504</u>	<u>\$ 87,007</u>	<u>\$ 43,504</u>

## MOMENTUM ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2017

### NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE - Continued

Following are maturities of long-term obligations for principal and interest for the next two years and in total:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 43,504	\$ -
2019	43,503	-

### NOTE 9 – OPERATING LEASES

#### Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Facility	June, 2018	\$170,000, annually	The greater of \$170,000 base rent or 13% of funds received from State school aid.

The approximate amount of lease obligations coming due during the next year is as follows:

2018	\$ 170,000
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The lessor has waived the minimum rent provision of the lease for the year ended June 30, 2017. Net rent of \$4,170 has been billed and included in the statement of activities.

### NOTE 10 - RETIREMENT PLAN

All employees leased by the Academy are eligible to participate in a retirement plan established by The Romine Group which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The employer under this plan will contribute 4% of salaries regardless of the amount of the employee contribution. The employer will additionally match up to 4% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan.

### NOTE 11 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since its inception.

## SUPPLEMENTARY INFORMATION

## MOMENTUM ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Local sources	\$ 3,000	\$ 6,729	\$ 8,222	\$ 1,493
State sources	1,388,200	1,083,950	1,082,240	(1,710)
Federal sources	119,696	149,727	132,930	(16,797)
Interdistrict sources	4,000	5,567	5,567	-
Total general fund revenues	1,514,896	1,245,973	1,228,959	(17,014)
<b>Expenditures</b>				
Instruction				
Basic programs	540,669	475,530	473,408	(2,122)
Added needs	297,815	223,017	223,666	649
Support services				
Pupil support services	-	51,210	55,776	4,566
Instructional staff support services	12,500	19,857	3,304	(16,553)
General administration	71,952	58,110	57,741	(369)
School administration	157,504	144,439	144,436	(3)
Business support services	7,000	17,000	16,313	(687)
Operations and maintenance	290,990	132,244	128,159	(4,085)
Pupil transportation services	85,000	80,850	80,850	-
Community services	-	15,850	15,350	(500)
Debt principal and interest	43,504	43,504	43,504	-
Total general fund expenditures	1,506,934	1,261,611	1,242,507	(19,104)
Excess (deficiency) of revenues over expenditures	7,962	(15,638)	(13,548)	2,090
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	(3,150)	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	4,812	(15,638)	(13,548)	2,090
Fund balance - July 1, 2016	47,434	47,434	47,434	-
Fund balance - June 30, 2017	\$ 52,246	\$ 31,796	\$ 33,886	\$ 2,090

## MOMENTUM ACADEMY

### SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

#### Local Sources

Other local revenues	\$ 8,222
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#### State Sources

At risk	86,307
Great start readiness program	113,847
Special education	32,927
State aid	<u>849,159</u>

Total state sources	1,082,240
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#### Federal Sources

IDEA	37,196
Title I	<u>95,734</u>

Total federal sources	132,930
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#### Interdistrict Sources

<u>5,567</u>
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Total general fund revenues	<u><u>\$ 1,228,959</u></u>
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## MOMENTUM ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

#### Basic Programs

Purchased services	\$ 443,886
Other purchased services	410
Supplies and materials	28,444
Other expenditures	668
	<hr/>
Total basic programs	473,408

#### Added Needs

Purchased services	223,641
Supplies and materials	25
	<hr/>
Total added needs	223,666

#### Pupil Support Services

Guidance services	5,579
Health services	5,192
Psychological services	5,160
Speech pathology and audiology	25,001
Social work services	14,844
	<hr/>
Total pupil support services	55,776

#### Instructional Staff Support Services

Purchased services	444
Supplies and materials	2,860
	<hr/>
Total instructional staff support services	3,304

#### General Administration

Purchased services	28,414
University oversight	29,125
Other expenditures	202
	<hr/>
Total general administration	57,741

## MOMENTUM ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2017

#### School Administration

Purchased services	139,886
Supplies and materials	1,946
Other expenditures	2,604
	<hr/>

Total school administration 144,436

#### Business Support Services

Purchased services	13,399
Other expenditures	2,914
	<hr/>

Total business support services 16,313

#### Operations and Maintenance

Purchased services	11,906
Repairs and maintenance	78,823
Rentals	4,174
Supplies and materials	32,395
Non-depreciable capital assets	861
	<hr/>

Total operations and maintenance 128,159

#### Pupil Transportation Services

Purchased services	80,850
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#### Community Services

Purchased services	15,000
Other purchased services	350
	<hr/>

Total community services 15,350

#### Debt Principal and Interest

	43,504
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Total general fund expenditures \$ 1,242,507