

MICHIGAN CONNECTIONS ACADEMY

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

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

- 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	\$	21,513
State sources		2,372,347
Federal sources		<u>79,093</u>
Total	<u>\$</u>	<u>2,472,953</u>

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				
Improvements	\$ 33,230	\$ -	\$ -	\$ 33,230
Equipment	<u>710,428</u>	<u>10,056</u>	<u>-</u>	<u>720,484</u>
Sub-total	743,658	10,056	-	753,714
Accumulated depreciation				
Improvements	25,588	7,273	-	32,861
Equipment	<u>415,237</u>	<u>107,138</u>	<u>-</u>	<u>522,375</u>
Sub-total	<u>440,825</u>	<u>114,411</u>	<u>-</u>	<u>555,236</u>
Total net capital assets	<u>\$ 302,833</u>	<u>\$ (104,355)</u>	<u>\$ -</u>	<u>\$ 198,478</u>

MICHIGAN CONNECTIONS ACADEMY

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

NOTE 5 - CAPITAL ASSETS - Continued

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 – OPERATING LEASES

Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Facilities	June, 2018	\$14,755 monthly	Lease runs from July 1 to August 31. Rentals increase yearly per lease agreement.

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

2018	\$ 179,985
------	------------

Total lease expense included in the statement of activities for the year ended June 30, 2017 amounted to approximately \$176,480 for the year.

NOTE 7 - RETIREMENT PLAN

All employees leased by the Academy are eligible to participate in a retirement plan established by Connections which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. Eligible employees may contribute up to 15% of their salaries under the terms of this plan.

NOTE 8 - 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 inception.

MICHIGAN CONNECTIONS ACADEMY

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

1) *Audit findings that have been fully corrected:*

Fiscal Year: 2016

Finding Number: 2016-001

Finding: Actual results of operations came in \$111,900 less than anticipated from the final budget.

Comments: The Academy has been reviewing its revenues and expenditures throughout the year and amending the budget to more accurately reflect the activity at year end.

2) *Audit findings not corrected or partially corrected:*

None