

**MUSKEGON MONTESSORI ACADEMY FOR
ENVIRONMENTAL CHANGE**

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)**

YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Muskegon Montessori Academy for Environmental Change

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Muskegon Montessori Academy for Environmental Change, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Muskegon Montessori Academy for Environmental Change'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, each major fund, and aggregate remaining fund information of Muskegon Montessori Academy for Environmental Change 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 other required supplementary information, as identified in the table of contents, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017 on our consideration of Muskegon Montessori Academy for Environmental Change'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 solely 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 Muskegon Montessori Academy for Environmental Change'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 Muskegon Montessori Academy for Environmental Change's internal control over financial reporting and compliance.

Maney Costeiran PC

October 20, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

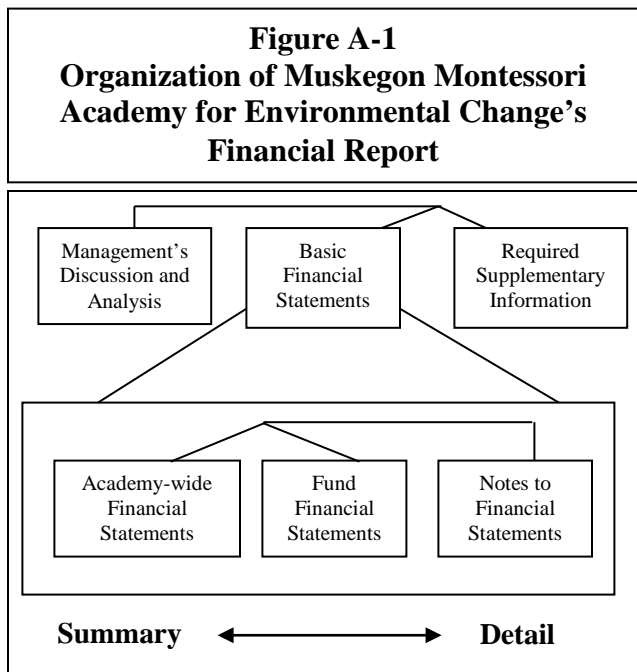
Financial Highlights

- The Academy’s general fund revenues exceeded expenditures by \$125,385 for the year ended June 30, 2017 as compared to budgeted revenues exceeding expenditures of \$48,089. As a result, the Academy has a \$191,725 fund balance in its general fund at June 30, 2017.

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 Academy:

- The first two statements are Academy-wide *financial statements* that provide both short-term and long-term information about the Academy’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy’s operations in more detail than the Academy-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the Academy acts solely as a trustee or agent for the benefit of others.



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 Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s 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.

Figure A-2 Major Features of the Academy-wide and Fund Financial Statements

	Academy-wide statements	Governmental funds	Fiduciary funds
Scope	Entire Academy (except fiduciary funds)	All activities of the Academy that are not fiduciary	Instances in which the Academy administers resources on behalf of someone else, such as student activities monies
Required financial statements	*Statement of net position *Statement of activities	* Balance sheet *Statement of revenues, expenditures and changes in fund balance	Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	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, the Academy's funds do not currently contain capital assets, although they can
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

Academy-wide statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Academy’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 Academy-wide statements report the Academy’s net position and how they have changed. Net position - the difference between the Academy’s assets and liabilities, is one way to measure the Academy’s financial health or position.

- Over time, increases or decreases in the Academy’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy’s enrollment, the condition of school buildings and other facilities, and the Academy’s ability to be competitive with other public school academies and area school districts.

Governmental activities - The Academy’s basic services are included here, such as regular and special education and administration. State foundation aid finances most of these activities.

Fund financial statements

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

- Some funds are required by State law and by debt agreements.
- The Academy can establish other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show it is properly using certain revenues (like food service).

The Academy has the following two kinds of funds:

- **Governmental funds** - Most of the Academy'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 Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.
- **Fiduciary funds** - The Academy is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The Academy is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the Academy-wide financial statements because the Academy cannot use these assets to finance its operations.

Financial analysis of the Academy as a whole

Net position - the Academy's combined net position of 294,996 increased by \$169,180 during the year, (see figures A-3 and A-4).

The total revenues decreased by 9.0% to \$1,234,660 resulting from an increase in blended pupil count from 114 in 2016 to 128 in 2017, offset by a large decrease in implementation grant revenues. State aid foundation allowance included in revenue from state sources accounts for approximately 78% of the Academy's revenue.

The total cost of instruction decreased by 24.7%, or \$148,066, to \$451,637 due to a decrease in implementation grant related expenditures. Total support services increased by 30.9%, or \$108,094, to \$457,797 due to increase in purchased support services and management fees.

See figures A-3 and A-4.

**Figure A-3
Muskegon Montessori Academy for Environmental Change's Net Position**

	2017	2016
Current and other	\$ 389,463	\$ 269,622
Capital assets	568,548	625,174
Total assets	<u>958,011</u>	<u>894,796</u>
Other liabilities	180,887	212,710
Long-term liabilities outstanding	482,128	556,270
Total liabilities	<u>663,015</u>	<u>768,980</u>
Net position:		
Net investment in capital assets	86,420	68,904
Restricted for food service	16,851	6,772
Unrestricted	191,725	50,140
Total net position	<u>\$ 294,996</u>	<u>\$ 125,816</u>

**Figure A-4
Changes in Muskegon Montessori Academy for Environmental Change's Net Position**

	2017	2016
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 178,423	\$ 467,427
Charges for services	52,777	42,763
General revenues:		
State aid - unrestricted	966,297	838,499
Investment income	136	91
Other	37,027	8,593
Total general revenues	<u>1,003,460</u>	<u>847,183</u>
Total revenues	<u>1,234,660</u>	<u>1,357,373</u>
Expenses:		
Instruction	451,637	599,703
Support services	457,797	349,703
Community services	7,984	5,525
Food services	67,053	63,242
Interest and fees	24,383	27,243
Unallocated depreciation	56,626	54,787
Total expenses	<u>1,065,480</u>	<u>1,100,203</u>
Change in net position	<u>\$ 169,180</u>	<u>\$ 257,170</u>

Financial analysis of the Academy's funds

The Academy's general fund revenues exceeded expenditures by \$125,385 for the year. As a result, the Academy has a \$191,725 fund balance in its general fund at June 30, 2017.

The total general fund revenues decreased by 10.1% to \$1,157,528 resulting from an increase in blended pupil count from 114 in 2016 to 128 in 2017, offset by a large decrease in implementation grant revenues.

The total cost of instruction decreased by 22.6%, or \$131,810, to \$451,637 due to a decrease in implementation grant related expenditures. Total support services increased by 6.6%, or \$28,475, to \$457,797 due to increases in purchased support services and management fees.

General fund budgetary highlights

Over the course of the year, the Academy revised the general fund annual operating budget when necessary. Changes were made in both revenue and expenditures which reflected anticipated changes in state aid grants and actual salary costs for staff.

The Academy's final budget for the general fund anticipated revenues and other financing sources (uses) would exceed expenditures by \$48,089, the actual results for the year showed revenues and other financing sources (uses) over expenditures of \$125,385.

Actual revenues were \$4,222 less than budgeted.

Actual expenditures were \$81,518 less than budgeted primarily due to unspent federal and state grants.

Capital asset and debt administration

Capital assets

By the end of the year ended June 30, 2017, the Academy had invested \$568,548 in capital assets net of accumulated depreciation as summarized in Figure A-5. Total depreciation expense for the year was \$56,626. More detailed information about capital assets can be found in Note 4 to the financial statements.

The Academy's capital assets are as follows:

	2017		2016	
	Cost	Accumulated depreciation	Net book value	Net book value
Building and improvements	\$ 534,804	\$ 75,124	\$ 459,680	\$ 480,202
Furniture and equipment	33,074	8,322	24,752	28,601
Technology	136,954	87,838	49,116	81,371
Land	35,000	-	35,000	35,000
Total	<u>\$ 739,832</u>	<u>\$ 171,284</u>	<u>\$ 568,548</u>	<u>\$ 625,174</u>

Debt Administration

The Academy repaid \$74,142 of principal and \$40,583 in interest on long-term debt during the year. See Note 6 to the financial statements.

Factors bearing on the Academy's future

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

- The Academy has adopted a general fund budget for 2017/2018 in which revenues are expected to exceed expenditures by approximately \$37,466.
- With over 90% of the Academy's funding sources being directly related to student enrollment, there remains a certain level of concern about financial stability in future years. Based on preliminary data for 2017/2018, the Academy anticipates that student enrollment will be slightly higher than what was budgeted.

Contacting the Academy's financial management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's management company, MIChoice, LLC, at 5251 Clyde Park Ave SW, Wyoming, MI 49509, phone (616) 785-8440.

BASIC FINANCIAL STATEMENTS

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Governmental activities</u>
ASSETS:	
Cash and cash equivalents	\$ 135,109
Intergovernmental receivable	222,122
Due from agency fund	9,232
Prepays	23,000
Capital assets not being depreciated	35,000
Capital assets, net of accumulated depreciation	<u>533,548</u>
TOTAL ASSETS	<u>958,011</u>
LIABILITIES:	
Accounts payable	60,414
Accrued salaries and related items	54,549
Other accrued expenses	5,239
Unearned revenues	23,909
State aid anticipation note payable	36,776
Noncurrent liabilities:	
Due within one year	78,603
Due in more than one year	<u>403,525</u>
TOTAL LIABILITIES	<u>663,015</u>
NET POSITION:	
Net investment in capital assets	86,420
Restricted for food service	16,851
Unrestricted	<u>191,725</u>
TOTAL NET POSITION	<u><u>\$ 294,996</u></u>

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net position</u>
Governmental activities:				
Instruction	\$ 451,637	\$ 32,124	\$ 108,409	\$ (311,104)
Support services	457,797	-	983	(456,814)
Community services	7,984	12,552	-	4,568
Food services	67,053	8,101	69,031	10,079
Interest and fees	24,383	-	-	(24,383)
Unallocated depreciation	56,626	-	-	(56,626)
Total governmental activities	<u>\$ 1,065,480</u>	<u>\$ 52,777</u>	<u>\$ 178,423</u>	<u>(834,280)</u>
General revenues:				
Investment earnings				136
State sources - unrestricted				966,297
Local sources				25,300
ISD sources				<u>11,727</u>
Total general revenues				<u>1,003,460</u>
CHANGE IN NET POSITION				169,180
NET POSITION, beginning of year				<u>125,816</u>
NET POSITION, end of year				<u>\$ 294,996</u>

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

ASSETS	General fund	Debt service fund	Non-major (special revenue) fund	Total governmental funds
ASSETS:				
Cash and cash equivalents	\$ 135,109	\$ -	\$ -	\$ 135,109
Receivables:				
Intergovernmental receivable	222,122	-	-	222,122
Due from other funds	-	-	20,979	20,979
Due from agency fund	9,232	-	-	9,232
Prepays	23,000	-	-	23,000
TOTAL ASSETS	\$ 389,463	\$ -	\$ 20,979	\$ 410,442
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 56,286	\$ -	\$ 4,128	\$ 60,414
Due to other funds	20,979	-	-	20,979
Accrued salaries and related items	54,549	-	-	54,549
Other accrued expenses	5,239	-	-	5,239
Unearned revenue	23,909	-	-	23,909
State aid anticipation note payable	36,776	-	-	36,776
TOTAL LIABILITIES	197,738	-	4,128	201,866

See notes to financial statements.

	General fund	Debt service fund	Non-major (special revenue) fund	Total governmental funds
FUND BALANCES:				
Nonspendable:				
Prepays	\$ 23,000	\$ -	\$ -	\$ 23,000
Restricted:				
Food service	-	-	16,851	16,851
Unassigned	168,725	-	-	168,725
TOTAL FUND BALANCES	191,725	-	16,851	208,576
TOTAL LIABILITIES AND FUND BALANCES	\$ 389,463	\$ -	\$ 20,979	\$ 410,442
Total governmental fund balances				\$ 208,576
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 the funds:				
The cost of the capital assets is			\$ 739,832	
Accumulated depreciation is			(171,284)	568,548
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bank note				(208,924)
Related party line of credit				(170,000)
Related party note payable				(103,204)
Net position of governmental activities				\$ 294,996

See notes to financial statements.

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>General fund</u>	<u>Debt service fund</u>	<u>Non-major (special revenue) fund</u>	<u>Total governmental funds</u>
REVENUES:				
Local sources:				
Food service sales	\$ -	\$ -	\$ 8,101	\$ 8,101
Investment income	136	-	-	136
Other	69,976	-	-	69,976
Total local sources	70,112	-	8,101	78,213
State sources	997,393	-	1,565	998,958
Federal sources	78,296	-	67,466	145,762
Intermediate sources	11,727	-	-	11,727
Total revenues	1,157,528	-	77,132	1,234,660
EXPENDITURES:				
Instruction:				
Basic programs	329,431	-	-	329,431
Added needs	122,206	-	-	122,206
Total instruction	451,637	-	-	451,637
Support services:				
Pupil	38,075	-	-	38,075
Instructional staff	9,749	-	-	9,749
General administration	151,222	-	-	151,222
School administration	133,874	-	-	133,874
Business	5,856	-	-	5,856
Operation and maintenance	86,125	-	-	86,125

See notes to financial statements.

	<u>General fund</u>	<u>Debt service fund</u>	<u>Non-major (special revenue) fund</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):				
Support services (Concluded):				
Central support services	\$ 32,896	\$ -	\$ -	\$ 32,896
Total support services	<u>457,797</u>	<u>-</u>	<u>-</u>	<u>457,797</u>
Community service	7,984	-	-	7,984
Food service	-	-	67,053	67,053
Debt service:				
Principal repayment	-	74,142	-	74,142
Interest and fiscal charges	-	40,583	-	40,583
Total expenditures	<u>917,418</u>	<u>114,725</u>	<u>67,053</u>	<u>1,099,196</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>240,110</u>	<u>(114,725)</u>	<u>10,079</u>	<u>135,464</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	114,725	-	114,725
Transfers out	<u>(114,725)</u>	<u>-</u>	<u>-</u>	<u>(114,725)</u>
Total other financing sources (uses)	<u>(114,725)</u>	<u>114,725</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	125,385	-	10,079	135,464
FUND BALANCES:				
Beginning of year	<u>66,340</u>	<u>-</u>	<u>6,772</u>	<u>73,112</u>
End of year	<u>\$ 191,725</u>	<u>\$ -</u>	<u>\$ 16,851</u>	<u>\$ 208,576</u>

See notes to financial statements.

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Net change in fund balances total governmental funds	\$ 135,464
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(56,626)
Accrued interest on debt is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	16,200
Proceeds and repayments of principal on long-term debts are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities):	
Principal repayment	<u>74,142</u>
Change in net position of governmental activities	<u><u>\$ 169,180</u></u>

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2017**

	<u>Agency fund</u>
ASSETS	
Cash	\$ 9,232
LIABILITIES	
Due to general fund	\$ 9,232

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of 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 nonfiduciary activities of the Academy. All fiduciary activities are reported only on the fund financial statements. *Governmental activities* normally are supported by intergovernmental revenues.

B. Reporting Entity

Muskegon Montessori Academy of Environmental Change Project Team, Inc. was incorporated on February 1, 2013 and operates under the name Muskegon Montessori Academy for Environmental Change (the "Academy"). The Academy is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Ferris State University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2018. Board members are approved by the authorizing governing body and have decision making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The Academy receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. In addition, the Academy's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements.

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

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Academy's funds including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Concluded)

The Academy reports the following major governmental funds:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt.

The Academy reports the following nonmajor governmental fund:

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Academy accounts for its food service activity in the special revenue fund.

Fiduciary funds account for assets held by the Academy in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Academy under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the Academy holds for others in an agency capacity (primarily student activities).

During the course of operations the Academy has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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 generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

State and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amounts is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to public school academies based on information supplied by the academies.

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the Academy.

F. Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Academy Administrator submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Prior to July 1, the budget is legally adopted by Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

3. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
4. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2017. The Academy does not consider these amendments to be significant.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and cash equivalents

The Academy's cash and cash equivalents are considered to be cash on hand and demand deposit accounts.

2. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

3. Capital assets

Capital assets, as summarized below, are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$1,000 and a useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital asset classes	Lives
Building and improvements	7 - 30
Furniture and equipment	5 - 20
Technology	3 - 5

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. Deferred outflows/inflows of resources

In addition to assets, the statement of net position 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 items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Academy has no items that qualify for reporting in this category.

5. Net position flow assumption

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

6. Fund balance flow assumptions

Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)

7. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the Academy that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates authority. The board of directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

2. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations, if any, are reported as liabilities on the statement of net position. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - CASH DEPOSITS - CREDIT RISK

Cash is held in the name of the Academy. These deposits are subject to custodial credit risk. This is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the Academy in relation to deposits in excess of insured amounts. As of June 30, 2017, none of the Academy's bank balance of \$207,010 was exposed to custodial credit risk because it was insured by the FDIC. These deposits have a carrying value of \$135,109. Fiduciary fund balances are not included in the above balances. As of June 30, 2017, none of the Fiduciary fund's bank balance of \$9,232 was exposed to custodial credit risk because it was insured by the FDIC.

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2017 consist of the following:

State aid	\$ 187,440
Federal and state grants	20,579
Payments from RESA	14,103
	<hr/>
	\$ 222,122
	<hr/>

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES (Concluded)

Amounts due from governmental units include amounts due from federal, state and local sources for various projects and programs.

Because of the Academy's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 4 - CAPITAL ASSETS

A summary of changes in the Academy's capital assets follows:

	Balance July 01, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Capital assets being depreciated:				
Building and improvements	534,804	-	-	534,804
Furniture and equipment	33,074	-	-	33,074
Technology	136,954	-	-	136,954
Depreciable capital assets	704,832	-	-	704,832
Accumulated depreciation:				
Building and improvements	54,602	20,522	-	75,124
Furniture and equipment	4,473	3,849	-	8,322
Technology	55,583	32,255	-	87,838
Total accumulated depreciation	114,658	56,626	-	171,284
Net depreciable capital assets	590,174	(56,626)	-	533,548
Net governmental capital assets	\$ 625,174	\$ (56,626)	\$ -	\$ 568,548

Depreciation for the year ended June 30, 2017 amounted to \$56,626. The Academy determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

As of June 30, 2017, the Academy has \$36,776 outstanding from a state aid anticipation note dated in August 2016. Proceeds of the note were used to fund school operations. The outstanding note, which has an interest rate of 3.00%, matures August 2017. The note is secured by future state school aid payments.

Balance June 30, 2016	Additions	Payments	Balance June 30, 2017
\$ 92,300	\$ 200,000	\$ 255,524	\$ 36,776

NOTE 6 - LONG-TERM DEBT

The following is a summary of long-term obligation transactions of the Academy for the year ended June 30, 2017.

	Bank note	Related party line of credit	Related party note payable	Total
Balance, July 1, 2016	\$ 236,270	\$ 170,000	\$ 150,000	\$ 556,270
Repayments	27,346	-	46,796	74,142
Balance, June 30, 2017	208,924	170,000	103,204	482,128
Due within one year	28,673	-	49,930	78,603
Due in more than one year	\$ 180,251	\$ 170,000	\$ 53,274	\$ 403,525

Long-term debt currently outstanding is as follows:

Bank note due in monthly installments of \$3,163 through October 25, 2018, including interest at 4.75%. A balloon payment for the unpaid principal balance is due November 25, 2018. All business assets including a mortgage on the real property have been pledged as security.	\$ 208,924
Unsecured \$170,000 line of credit with a related party expected to be repaid October 20, 2018. Interest at \$450 per month (3.2%).	170,000
Note payable with related party to be repaid in monthly installments of \$4,597 through June 30, 2019 including interest at 6.5%.	103,204
Total general long-term debt	\$ 482,128

Interest expense on all outstanding debt for the fiscal year ended June 30, 2017 was \$40,583.

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (Concluded)

The annual requirements to amortize long-term debt outstanding as of June 30, 2017, including interest of \$30,648 are as follows:

Year ending June 30,	Principal	Interest	Total
2018	\$ 78,603	\$ 19,892	\$ 98,495
2019	403,525	10,756	414,281
	\$ 482,128	\$ 30,648	\$ 512,776

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2017 as follows:

Receivable	Payable				
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Special revenue fund</td> <td style="text-align: right; border-bottom: 3px double black;">\$ 20,979</td> </tr> </table>	Special revenue fund	\$ 20,979	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">General fund</td> <td style="text-align: right; border-bottom: 3px double black;">\$ 20,979</td> </tr> </table>	General fund	\$ 20,979
Special revenue fund	\$ 20,979				
General fund	\$ 20,979				

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions that are recorded in the accounting system, (3) payments between funds are made.

NOTE 8 - TRANSFERS

Transfers between the governmental funds were as follows:

Transfers out	Transfers in				
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">General fund</td> <td style="text-align: right; border-bottom: 3px double black;">\$ 114,725</td> </tr> </table>	General fund	\$ 114,725	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Debt service fund</td> <td style="text-align: right; border-bottom: 3px double black;">\$ 114,725</td> </tr> </table>	Debt service fund	\$ 114,725
General fund	\$ 114,725				
Debt service fund	\$ 114,725				

Transfers were made from the general fund to the debt service fund for principal and interest payments on the long-term debt.

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary and Proposal A obligation payments to Ferris State University, as set forth by contract, to reimburse the University Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2017, the Academy incurred expense of approximately \$28,800 for oversight fees.

NOTE 10 - MANAGEMENT AGREEMENT

The Academy currently has a management agreement with MIChoice, LLC (MIChoice) for operations of the Academy through June 2018. Under the terms of the management agreement, MIChoice's compensation for operating the Academy was approximately 107,600 for the fiscal year 2017.

NOTE 11 - PURCHASED SERVICES

The Academy leases all of its employees from MIChoice, LLC (MIChoice). Salaries, retirement, social security, health insurance, and unemployment taxes are the responsibility of MIChoice. The Academy owes MIChoice approximately \$39,000 at June 30, 2017 for purchased services.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Academy borrowed \$150,000 in 2015 with a note payable from MIChoice in order to finance property acquisitions, renovations, and other start-up costs.

The Academy borrowed \$170,000 from an owner of MIChoice in order to finance the acquisition of the Academy's building. The terms of the note payable were revised in 2017. The amount is expected to be repaid by the Academy October 20, 2018.

See Note 6 for more information pertaining to related party long-term debt.

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - RISK MANAGEMENT

The Academy is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To minimize the risk, the Academy carries commercial insurance.

NOTE 14 - SUBSEQUENT EVENT

The Academy borrowed \$150,000 under a state aid anticipation note in August 2017 at 2.25% to be repaid monthly from October 2017 through August 2018.

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and will be effective for the Academy's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Academies with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

REQUIRED SUPPLEMENTARY INFORMATION

**MUSKEGON MONTESSORI ACADEMY FOR ENVIRONMENTAL CHANGE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local	\$ 41,285	\$ 54,125	\$ 70,112	\$ 15,987
State sources	965,375	1,021,302	997,393	(23,909)
Federal sources	55,003	84,723	78,296	(6,427)
Incoming transfers	14,000	1,600	11,727	10,127
Total revenues	<u>1,075,663</u>	<u>1,161,750</u>	<u>1,157,528</u>	<u>(4,222)</u>
EXPENDITURES:				
Instruction:				
Basic programs	296,750	346,474	329,431	17,043
Added needs	98,681	152,949	122,206	30,743
Total instruction	<u>395,431</u>	<u>499,423</u>	<u>451,637</u>	<u>47,786</u>
Support services:				
Pupil	28,500	39,600	38,075	1,525
Instructional staff	20,822	12,200	9,749	2,451
General administration	148,304	157,887	151,222	6,665
School administration	140,800	137,300	133,874	3,426
Business	13,750	8,550	5,856	2,694
Operation and maintenance	110,750	94,526	86,125	8,401
Central support services	57,575	40,450	32,896	7,554
Total support services	<u>520,501</u>	<u>490,513</u>	<u>457,797</u>	<u>32,716</u>
Community services	7,000	9,000	7,984	1,016
Total expenditures	<u>922,932</u>	<u>998,936</u>	<u>917,418</u>	<u>81,518</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>152,731</u>	<u>162,814</u>	<u>240,110</u>	<u>77,296</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(115,725)	(114,725)	(114,725)	-
Total other financing sources (uses)	<u>(115,725)</u>	<u>(114,725)</u>	<u>(114,725)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 37,006</u>	<u>\$ 48,089</u>	<u>125,385</u>	<u>\$ 77,296</u>
FUND BALANCE:				
Beginning of year			<u>66,340</u>	
End of year			<u>\$ 191,725</u>	

**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
Muskegon Montessori Academy for Environmental Change

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Muskegon Montessori Academy for Environmental Change as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Muskegon Montessori Academy for Environmental Change's basic financial statements and have issued our report thereon dated October 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Muskegon Montessori Academy for Environmental Change'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 Muskegon Montessori Academy for Environmental Change's internal control. Accordingly, we do not express an opinion on the effectiveness of the Muskegon Montessori Academy for Environmental Change'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 Muskegon Montessori Academy for Environmental Change'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 matter that is 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.

Maney Costeiran PC

October 20, 2017