

**Audited Financial Statements**

**The New Standard Academy**  
Flint, Michigan

**June 30, 2016**

## CONTENTS

	<u>Page</u>
<b>Independent Auditor's Report</b>	i - iii
<b>Management's Discussion and Analysis</b>	iv - ix
<b>Basic Financial Statements</b>	
Statement of Net Position	1
Statement of Activities	2
Combined Balance Sheet – All Governmental Funds	3
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Notes to Financial Statements	7 - 17
<b>Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	18
Schedule of Revenues – General Fund	19
Schedule of Expenditures – General Fund	20 - 21

## C O N T E N T S – C o n t i n u e d

	<u>Page</u>
<b>Appendix- Federal Awards Supplemental Information</b>	
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 <i>Government Auditing Standards</i>	A-1 – A-2
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	A-3 – A-4
Schedule of Expenditures of Federal Awards	A-5 – A-6
Reconciliation of Basic Financial Statements Federal Revenue and Receivables with Schedule of Expenditures of Federal Awards	A-7
Notes to Schedule of Expenditures of Federal Awards	A-8
Schedule of Findings and Questioned Costs	A-9

## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors of The New Standard Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The New Standard Academy, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise The New Standard 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 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 The New Standard Academy as of June 30, 2016, and the respective changes in financial position, thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv-ix and 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The New Standard Academy's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedules of revenues and expenditures, and the schedules of expenditures of federal awards are the responsibility of management and were derived from and related 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 nonmajor fund financial statements, schedules of revenues and expenditures, and the schedule of expenditures of federal awards 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 17, 2016, on our consideration of The New Standard 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 or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The New Standard Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan  
October 17, 2016

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

This section of The New Standard 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, 2016. Please read it in conjunction with the school’s financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

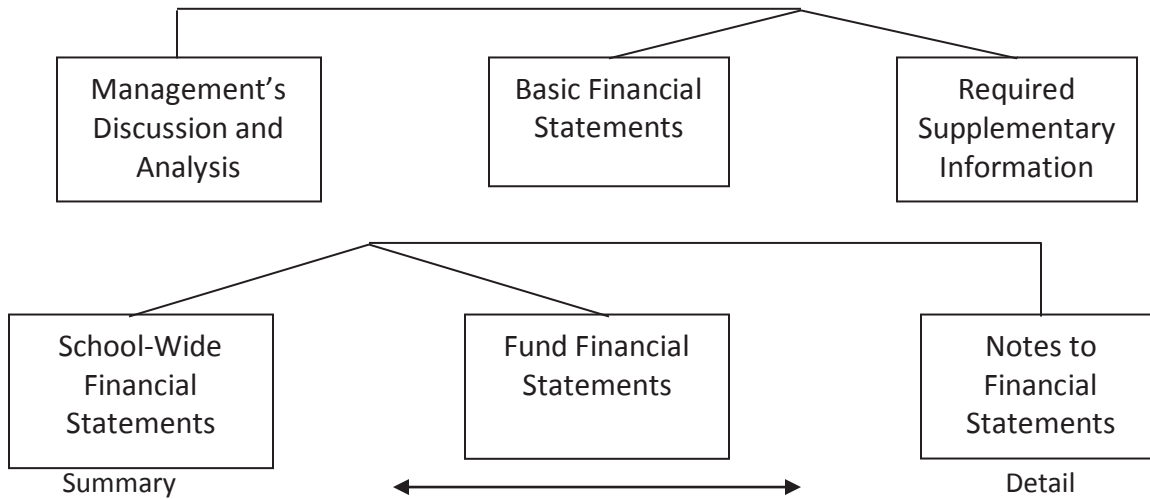
- ❖ The total cost of basic programs was \$1,842,897.
- ❖ Revenues were at \$5,938,100 while expenditures were \$5,690,924 in the General Fund.
  - Blended enrollment used for state aid purposes was 632.77.
- ❖ The school has a positive General Fund balance of \$425,787.

### **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 The New Standard'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			
	School-Wide Statements	Government Funds	Fiduciary Funds
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 assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
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 New Standard Academy's financial forecast continues to be optimistic heading into the 2016/2017 school year.

**Table A-3**  
**The New Standard Academy's Net Position**

	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 1,861,692	\$ 1,785,692
Capital assets	<u>183,446</u>	<u>296,126</u>
Total assets	<u>2,045,138</u>	<u>2,081,818</u>
Long-term debt outstanding	31,243	146,939
Other liabilities	<u>1,290,579</u>	<u>1,538,016</u>
Total liabilities	1,321,822	1,684,955
Net position:		
Net investment in capital assets	152,203	149,187
Unrestricted	<u>571,113</u>	<u>247,676</u>
Total net position	<u>\$ 723,316</u>	<u>\$ 396,863</u>

**Table A-4**  
**Changes in The New Standard Academy's Net Position**

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Federal and state operating grants	1,763,519	1,459,390
General revenues:		
State aid - unrestricted	4,620,968	4,456,484
Miscellaneous	23,216	8,093
Total revenues	<u>6,407,703</u>	<u>5,923,967</u>
Expenses:		
Instruction	2,508,633	2,358,809
Support services	3,434,952	3,175,856
Interest on long-term debt	11,888	25,416
Unallocated depreciation	125,946	119,280
Total expenses	<u>6,081,419</u>	<u>5,679,361</u>
Increase (decrease) in net position	<u>\$ 326,284</u>	<u>\$ 244,606</u>

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2016, the school had invested \$633,176 in capital assets, including computers and software. See table A-5 below for a listing of capital assets, and the accumulated depreciation.

**Table A-5**  
**The New Standard Academy's Capital Assets**

	<u>Balance</u> <u>June 30, 2016</u>	<u>Balance</u> <u>June 30, 2015</u>
Equipment	\$ 132,259	\$ 132,259
Furniture	202,267	193,640
Technology equipment	257,196	252,557
Other	41,454	41,454
Subtotal	633,176	619,910
Less: accumulated depreciation	449,730	323,784
Net book value of assets	<u>\$ 183,446</u>	<u>\$ 296,126</u>

## **Long-Term Debt**

The Academy had \$31,243 in long-term debt as of June 30, 2016. Additional information can be found in Note 8 of the financial statements.

## **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

# THE NEW STANDARD ACADEMY

STATEMENT OF NET POSITION  
JUNE 30, 2016  
See Independent Auditor's Report

## ASSETS AND DEFERRED OUTFLOWS

### Current Assets

Cash and cash equivalents	\$ 280,905
Due from other governmental units	1,561,670
Prepaid expenses	<u>19,117</u>
Total current assets	1,861,692

### Capital Assets - Net of Accumulated Depreciation

183,446

Total assets and deferred outflows \$ 2,045,138

## LIABILITIES, DEFERRED INFLOWS AND NET POSITION

### Current Liabilities

Accounts payable	\$ 764,543
Notes payable	164,654
Other accrued expenses	361,382
Long-term debt - current portion	<u>31,243</u>
Total current liabilities	1,321,822

### Net Position

Net investment in capital assets	152,203
Unrestricted	<u>571,113</u>
Total net position	<u>723,316</u>
Total liabilities, deferred inflows and net position	<u>\$ 2,045,138</u>

See accompanying notes to financial statements

## THE NEW STANDARD ACADEMY

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

		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	\$ 1,842,897	\$ -	\$ 606,720	\$ (1,236,177)
Added needs	665,736	-	565,272	(100,464)
Support services				
Pupil support services	5,837	-	-	(5,837)
Instructional staff support services	72,450	-	53,193	(19,257)
General administration	677,173	-	-	(677,173)
School administration	503,240	-	-	(503,240)
Business support services	8,142	-	-	(8,142)
Operations and maintenance	1,354,065	-	68,731	(1,285,334)
Pupil transportation services	336,362	-	-	(336,362)
Central support services	62,595	-	-	(62,595)
Athletic activities	21,577	-	-	(21,577)
Food services	393,511	-	469,772	76,261
Unallocated depreciation	125,946	-	-	(125,946)
Unallocated interest	11,888	-	-	(11,888)
	<u>\$ 6,081,419</u>	<u>\$ -</u>	<u>\$ 1,763,688</u>	<u>(4,317,731)</u>
<b>General Purpose Revenues</b>				
State school aid - unrestricted				4,620,968
Miscellaneous revenues				23,216
				<u>4,644,184</u>
Change in net position				326,453
Net position - July 1, 2015				<u>396,863</u>
Net position - June 30, 2016				<u>\$ 723,316</u>

See accompanying notes to financial statements

**THE NEW STANDARD ACADEMY**

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2016

See Independent Auditor's Report

**ASSETS**

	<u>General</u>	<u>Non-Major Special Revenue</u>	<u>Total</u>
Cash and cash equivalents	\$ 280,905	\$ -	\$ 280,905
Due from other governmental units	1,561,670	-	1,561,670
Due from other funds	-	145,326	145,326
Prepaid expenses	19,117	-	19,117
 Total assets	 <u>\$ 1,861,692</u>	 <u>\$ 145,326</u>	 <u>\$ 2,007,018</u>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable	\$ 764,543	\$ -	\$ 764,543
Notes payable	164,654	-	164,654
Due to other funds	145,326	-	145,326
Other accrued expenses	361,382	-	361,382
 Total liabilities	 1,435,905	 -	 1,435,905

**Fund Balance**

Nonspendable	19,117	-	19,117
Restricted	-	145,326	145,326
Unassigned	406,670	-	406,670
 Total fund balance	 <u>425,787</u>	 <u>145,326</u>	 <u>571,113</u>
 Total liabilities and fund balance	 <u>\$ 1,861,692</u>	 <u>\$ 145,326</u>	 <u>\$ 2,007,018</u>

See accompanying notes to financial statements

## THE NEW STANDARD ACADEMY

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2016

See Independent Auditor's Report

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

<b>Total Governmental Fund Balances</b>	\$ 571,113
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$633,176 and the accumulated depreciation is \$449,730.	183,446
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(31,243)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 723,316</u></u>

See accompanying notes to financial statements



## THE NEW STANDARD ACADEMY

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor’s Report

	General	Non-Major Special Revenue	Total
<b>Revenues</b>			
Local sources	\$ 23,216	\$ -	\$ 23,216
State sources	5,371,227	2,181	5,373,408
Federal sources	509,374	467,591	976,965
Interdistrict sources	34,283	-	34,283
	<u>5,938,100</u>	<u>469,772</u>	<u>6,407,872</u>
Total governmental fund revenues	5,938,100	469,772	6,407,872
<b>Expenditures</b>			
Instruction			
Basic programs	1,842,897	-	1,842,897
Added needs	665,736	-	665,736
Support services			
Pupil support services	5,837	-	5,837
Instructional staff support services	72,450	-	72,450
General administration	677,173	-	677,173
School administration	503,240	-	503,240
Business support services	8,142	-	8,142
Operations and maintenance	1,354,065	-	1,354,065
Pupil transportation services	336,362	-	336,362
Central support services	62,595	-	62,595
Athletic activities	21,577	-	21,577
Food services	-	393,511	393,511
Capital outlay	13,266	-	13,266
Debt principal and interest	127,584	-	127,584
	<u>5,690,924</u>	<u>393,511</u>	<u>6,084,435</u>
Total governmental fund expenditures	5,690,924	393,511	6,084,435
Excess (deficiency) of revenues over expenditures	247,176	76,261	323,437
Fund balance - July 1, 2015	178,611	69,065	247,676
Fund balance - June 30, 2016	<u>\$ 425,787</u>	<u>\$ 145,326</u>	<u>\$ 571,113</u>

See accompanying notes to financial statements

## THE NEW STANDARD 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, 2016  
See Independent Auditor's Report

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

**Net Change in Fund Balances - Total Governmental Funds** \$ 323,437

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:

Capital outlay	\$ 13,266	
Depreciation and amortization expense	<u>(125,946)</u>	(112,680)

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>115,696</u>
-----------------------------	----------------

**Change in Net Position of Governmental Activities** \$ 326,453

See accompanying notes to financial statements

# THE NEW STANDARD ACADEMY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of The New Standard 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

The New Standard 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, and began operation in May 2012.

In July 2012, the Academy entered into a contract with the Saginaw Valley State University Board of Control to charter a public school academy through June 30, 2016. The contract was extended through June 30, 2019. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Control is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Saginaw Valley State University Board of Control three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2016 were approximately \$139,720.

In July 2016, the Academy entered into an agreement with The Romine Group, Inc. through June 30, 2019. Under the terms of this agreement, The Romine Group, Inc. provides a variety of services including financial management, educational programs and consulting, as well as teacher training. The Academy is obligated to pay The Romine Group, Inc. ten percent of its state school aid revenue and all other governmental revenue sources. Total compensation in no event shall be less than \$250,000 and no more than \$500,000 in any fiscal year. The total paid for these services amounted to approximately \$500,000 for the year ended June 30, 2016.

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.

## THE NEW STANDARD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### 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. The special revenue fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

**Debt Service Fund** - The debt service fund, which the Academy does not currently maintain, is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

**Capital Projects Fund** - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

**Fiduciary Fund** - The fiduciary fund, which the Academy does not currently maintain, is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

**Activity (Agency) Fund** - The Academy does not presently maintain an activity fund, which would be used to record the transactions of a student group for school and school-related purposes. The fund would be segregated and held in trust for the students.

## THE NEW STANDARD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

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

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.
- 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. 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.

## **THE NEW STANDARD ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

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

Net position should be reported as restricted when constraints placed on net position's use are 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.

#### **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. 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, 2016 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 2016 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, 2016, 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.

## THE NEW STANDARD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

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

#### 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:

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 the sum of assets and deferred outflows and the sum of liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on its 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.

## THE NEW STANDARD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

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

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.
- 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.

#### 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 a general fund budget. During the year ended June 30, 2016 the budget was amended in a legally permissible manner. During the year ended June 30, 2016 the Academy performed against its budget, as detailed on page 18 of these financial statements.



## **THE NEW STANDARD ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### **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.

#### **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, 2016, the Academy held 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.

#### **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, 2016, \$181,954 of the Academy's cash was exposed to credit risk as it was not covered by federal deposit insurance. All cash balances were uncollateralized as of June 30, 2016.

#### **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.

## THE NEW STANDARD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
 FOR THE YEAR ENDED JUNE 30, 2016  
 See Independent Auditor's Report

### NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

Local sources	\$ 17,254
State sources	1,000,374
Federal sources	<u>544,042</u>
 Total	 <u><u>\$ 1,561,670</u></u>

### NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2016</u>
Equipment	\$ 132,259	\$ -	\$ -	\$ 132,259
Furniture	193,640	8,627	-	202,267
Technology equipment	252,557	4,639	-	257,196
Other	<u>41,454</u>	<u>-</u>	<u>-</u>	<u>41,454</u>
Sub-total	619,910	13,266	-	633,176
Accumulated depreciation				
Equipment	93,684	33,065	-	126,749
Furniture	69,955	30,458	-	100,413
Technology equipment	155,449	57,197	-	212,646
Other	<u>4,696</u>	<u>5,226</u>	<u>-</u>	<u>9,922</u>
Sub-total	<u>323,784</u>	<u>125,946</u>	<u>-</u>	<u>449,730</u>
Total net capital assets	<u><u>\$ 296,126</u></u>	<u><u>\$ (112,680)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 183,446</u></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.

## THE NEW STANDARD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
 FOR THE YEAR ENDED JUNE 30, 2016  
 See Independent Auditor's Report

### NOTE 6 – NOTES PAYABLE

#### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 14/15	1.84%	August, 2015	Paid in full
SAAN 15/16	1.85%	August, 2016	Issued to provide Academy with operating funds and secured by future state school aid.

#### Loan Activity

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2016</u>
SAAN 14/15	\$ 181,170	\$ -	\$ 181,170	\$ -
SAAN 15/16	-	900,000	735,346	164,654
	<u>\$ 181,170</u>	<u>\$ 900,000</u>	<u>\$ 916,516</u>	<u>\$ 164,654</u>

### NOTE 7 – ACCRUED EXPENSES

Accrued expenses may be summarized as follows:

Purchased services - payroll and benefits	\$ 228,562
Management fee	87,293
University oversight fee	25,415
Other accrued expenses	<u>20,112</u>
Total accrued expenses	<u>\$ 361,382</u>

## THE NEW STANDARD ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
 FOR THE YEAR ENDED JUNE 30, 2016  
 See Independent Auditor's Report

### NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2016:

#### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Equipment loan	12.5%	October, 2017	Secured by equipment

#### Loan Activity

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Equipment loan	\$ 146,939	\$ -	\$ 115,696	\$ 31,243	\$ 31,243

Following are maturities of long-term obligations for principal and interest for the next year:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 31,243	\$ 652

### NOTE 9 – OPERATING LEASES

#### Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Facilities lease	June, 2019	Varies	Base rent will be the greater of \$385,000 or 13% of all funds the Academy is entitled to receive pursuant to the State School Aid Act of 1979, as amended.

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

2017	\$ 655,000
2018	655,000
2019	655,000

The Academy incurred lease expense of approximately \$654,750 during the year ended June 30, 2016.

## **THE NEW STANDARD ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### **NOTE 10 - RETIREMENT PLAN**

All leased employees of the Academy are eligible to participate in a retirement plan established by the Academy's management company (the employer) which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The Academy, under this plan, will reimburse the employer's contribution of 4% of salaries regardless of the amount the employee contributes. The Academy will additionally reimburse the employer's 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

## THE NEW STANDARD ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor’s Report

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>				
Local sources	\$ 6,000	\$ 10,338	\$ 23,216	\$ 12,878
State sources	5,543,972	5,417,840	5,371,227	(46,613)
Federal sources	433,496	580,879	509,374	(71,505)
Interdistrict sources	27,000	27,000	34,283	7,283
	<hr/>	<hr/>	<hr/>	<hr/>
Total general fund revenues	6,010,468	6,036,057	5,938,100	(97,957)
<b>Expenditures</b>				
Instruction				
Basic programs	1,800,420	1,955,393	1,842,897	(112,496)
Added needs	871,604	748,086	665,736	(82,350)
Support services				
Pupil support services	5,808	5,808	5,837	29
Instructional staff support services	63,646	74,700	72,450	(2,250)
General administration	525,406	552,655	677,173	124,518
School administration	648,560	641,123	503,240	(137,883)
Business support services	9,000	9,280	8,142	(1,138)
Operations and maintenance	1,521,260	1,419,207	1,354,065	(65,142)
Pupil transportation services	350,000	351,275	336,362	(14,913)
Central support services	41,500	60,650	62,595	1,945
Athletic activities	-	32,265	21,577	(10,688)
Capital outlay	-	13,266	13,266	-
Debt principal and interest	127,584	127,584	127,584	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total general fund expenditures	5,964,788	5,991,292	5,690,924	(300,368)
Excess (deficiency) of revenues over expenditures	45,680	44,765	247,176	202,411
Fund balance - July 1, 2015	178,611	178,611	178,611	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2016	\$ 224,291	\$ 223,376	\$ 425,787	\$ 202,411
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# THE NEW STANDARD ACADEMY

## SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2016 See Independent Auditor’s Report

### Local Sources

Other local revenues	\$ 23,216
----------------------	-----------

### State Sources

At risk	354,809
Great start readiness program	320,490
Special education	74,960
State aid	4,620,968

Total state sources	5,371,227
---------------------	-----------

### Federal Sources

IDEA	74,389
Title I	355,918
Title II A	79,067

Total federal sources	509,374
-----------------------	---------

### Interdistrict Sources

34,283
--------

Total general fund revenues	\$ 5,938,100
-----------------------------	--------------



## THE NEW STANDARD ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2016 See Independent Auditor’s Report

#### Basic Programs

Purchased services	\$ 1,725,060
Supplies and materials	103,177
Other expenditures	14,660
	<hr/>
Total basic programs	1,842,897

#### Added Needs

Purchased services	600,386
Supplies and materials	65,350
	<hr/>
Total added needs	665,736

#### Pupil Support Services

Guidance services	5,837
-------------------	-------

#### Instructional Staff Support Services

Purchased services	59,670
Supplies and materials	12,780
	<hr/>
Total instructional staff support services	72,450

#### General Administration

Purchased services	29,732
Management fees	500,000
University oversight	139,721
Other expenditures	7,720
	<hr/>
Total general administration	677,173

#### School Administration

Purchased services	485,694
Supplies and materials	11,230
Other expenditures	6,316
	<hr/>
Total school administration	503,240

# THE NEW STANDARD ACADEMY

## SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2016 See Independent Auditor’s Report

### Business Support Services

Other expenditures	8,142
--------------------	-------

### Operations and Maintenance

Purchased services	401,828
Repairs and maintenance	139,486
Rentals	657,299
Supplies and materials	155,452

Total operations and maintenance	1,354,065
----------------------------------	-----------

### Pupil Transportation Services

Purchased services	8,556
Other expenditures	327,806

Total pupil transportation services	336,362
-------------------------------------	---------

### Central Support Services

Repairs and maintenance	52,773
Other expenditures	9,822

Total central support services	62,595
--------------------------------	--------

### Athletic Activities

Purchased services	14,877
Other expenditures	6,700

Total athletic activities	21,577
---------------------------	--------

### Capital Outlay

13,266
--------

### Debt Principal and Interest

127,584
---------

Total general fund expenditures	<u>\$ 5,690,924</u>
---------------------------------	---------------------

# APPENDIX

Federal Awards

Supplemental Information

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

**To the Board of Directors  
of The New Standard 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 New Standard Academy, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise The New Standard Academy's basic financial statements, and have issued our report thereon dated October 17, 2016.

**Internal Control over Financial Reporting**

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



Croskey Lanni, PC

Rochester, Michigan  
October 17, 2016

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.

**To the Board of Directors  
of The New Standard Academy**

### **Report on Compliance for Each Major Federal Program**

We have audited The New Standard Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The New Standard Academy's major federal programs for the year ended June 30, 2016. The New Standard Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

In our opinion, The New Standard Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June, 30, 2016.

### **Report on Internal Control over Compliance**

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

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

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

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

  
Croskey Lanni, PC

Rochester, Michigan  
October 17, 2016

# THE NEW STANDARD ACADEMY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2015	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2016	Current Year Cash Transferred To Subrecipient
<b>Clusters:</b>										
<b>Child Nutrition Cluster - U.S. Department of Agriculture - Passed through Michigan Department of Education:</b>										
<b>Noncash Assistance (Commodities) - National Lunch Program Bonus Commodities 2015-16</b>										
	N/A	10.555	\$ 22,092	\$ -	\$ -	\$ -	\$ 19,544	\$ 19,544	\$ -	\$ -
<b>Cash Assistance:</b>										
National School Lunch Program 2014-2015	151960	10.555	306,968	283,285	22,143	-	22,143	-	-	-
National School Lunch Program 2015-2016	161960	10.555	270,459	-	-	-	270,459	292,887	22,428	-
National School Lunch Program (including commodities) Subtotal										
		10.555	599,519	283,285	22,143	-	312,146	312,431	22,428	-
National School Breakfast Program 2014-2015										
	151970	10.553	158,819	157,154	14,475	-	14,475	-	-	-
National School Breakfast Program 2015-2016										
	161970	10.553	139,806	-	-	-	142,920	155,160	12,240	-
National School Breakfast Program Subtotal										
		10.553	298,625	157,154	14,475	-	157,395	155,160	12,240	-
<b>Total Child Nutrition Cluster</b>										
			898,144	440,439	36,618	-	469,541	467,591	34,668	-
<b>Special Education Cluster - U.S. Department of Ed. - Passed through the Wayne County RESA</b>										
<b>IDEA Flowthrough:</b>										
IDEA Flowthrough 1415	151450	84.027A	44,789	44,789	44,789	-	44,789	-	-	-
IDEA Flowthrough 1516	161450	84.027A	74,389	-	-	-	-	74,389	74,389	-
<b>Total Special Education Cluster</b>										
			119,178	44,789	44,789	-	44,789	74,389	74,389	-

See accompanying notes to schedule of expenditures of federal awards



**THE NEW STANDARD ACADEMY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016**

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2015	Adjustments and Transfers	Federal Funds/		Accrued (Deferred) Revenue at June 30, 2016	Current Year Cash Transferred To Subrecipient
							Payments In-kind Received	Expenditures		
<b>Other federal awards:</b>										
<b>Passed through the Michigan Department of Education:</b>										
<b>Title I Part A:</b>										
Title I Part A 1415	151530	84.010	363,951	298,359	298,359	-	298,359	-	-	-
Title I Part A 1516	161530	84.010	426,473	-	-	-	-	355,918	355,918	-
Total Title I Part A		84.010	790,424	298,359	298,359	-	298,359	355,918	355,918	-
<b>Title II Part A - Improving Teacher Quality</b>										
Title II Part A 1516	150520	84.367	88,416	54,545	54,545	-	54,545	-	-	-
Title II Part A 1516	160520	84.367	80,318	-	-	-	-	79,067	79,067	-
Total Title I Part A		84.367	168,734	54,545	54,545	-	54,545	79,067	79,067	-
<b>Total noncluster programs passed through the Michigan Department of Education</b>										
			959,158	352,904	352,904	-	352,904	434,985	434,985	-
<b>Total Federal Awards</b>			<b>\$1,976,480</b>	<b>\$ 838,132</b>	<b>\$ 434,311</b>	<b>\$ -</b>	<b>\$ 867,234</b>	<b>\$ 976,965</b>	<b>\$ 544,042</b>	<b>\$ -</b>

See accompanying notes to schedule of expenditures of federal awards

## THE NEW STANDARD ACADEMY

### RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE AND RECEIVABLES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

#### Revenues to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements  
(includes all funds):

General Fund	\$ 509,374
Special Revenue Fund	<u>467,591</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 976,965</u></u>

# THE NEW STANDARD ACADEMY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of The New Standard Academy under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The New Standard Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The New Standard Academy.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

### **NOTE 3 – INDIRECT COST RATE**

The New Standard Academy has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

### **NOTE 4 - NONCASH ASSISTANCE**

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

### **NOTE 5 - GRANT AUDITOR'S REPORT**

Management has utilized the Grant Auditor's report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

**THE NEW STANDARD ACADEMY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

**SECTION I - SUMMARY OF THE AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
  - Significant deficiency(ies) identified that are not considered to be a material weakness(es)?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?  yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?  yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
#84.010	Title I Part A

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b): \$750,000

Auditee qualified as low-risk auditee?  yes  no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None