

**NEW PARADIGM COLLEGE
PREP ACADEMY**

**Financial Report
with Supplemental Information
June 30, 2017**

NEW PARADIGM COLLEGE PREP ACADEMY

CONTENTS

FINANCIAL STATEMENTS

Independent auditor's report	1 - 2
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>	3 - 4
Management's discussion and analysis	5 - 10

BASIC FINANCIAL STATEMENTS

Government-wide financial statements:	
Statement of net position	11
Statement of activities	12
Fund financial statements:	
Governmental funds:	
Balance sheet	13
Reconciliation of the governmental funds balance to the statement of net position	14
Statement of revenues, expenditures, and changes in fund balances	15
Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the statement of activities	16
Notes to financial statements	17 - 27

REQUIRED SUPPLEMENTAL INFORMATION

Budgetary comparison schedule - general fund	28
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
New Paradigm College Prep Academy

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of New Paradigm College Prep Academy, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the 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 New Paradigm College Prep Academy as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

Members: A.I.C.P.A. and M.I.C.P.A.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison 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 Government Auditing 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 September 25, 2017, on our consideration of New Paradigm College Prep 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. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering New Paradigm College Prep Academy's internal control over financial reporting and compliance.

Wilkerson & Associate PC

September 25, 2017

**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
New Paradigm College Prep Academy

We have audited the financial statements of New Paradigm College Prep Academy as of and for the year ended June 30, 2017, and have issued our report thereon dated September 25, 2017. 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.

Internal Control Over Financial Reporting

New Paradigm College Prep Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered New Paradigm College Prep Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Paradigm College Prep Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New Paradigm College Prep Academy's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors of
New Paradigm College Prep Academy

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Paradigm College Prep Academy's financial statements are free of 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*.

This report is intended for the information and use of the Board of Directors, management and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Wilkerson & Associate PC

September 25, 2017

This section of New Paradigm College Prep Academy's annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2017. Please read it in conjunction with the Academy's basic financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand New Paradigm College Prep Academy financially as a whole. The Academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Academy-wide financial statements by providing information about the Academy's General Fund.

Management's Discussion and Analysis (MD&A)

(Required Supplemental Information)

Basic Financial Statements

Academy-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for General Fund

Other Supplemental Information

Reporting the Academy as a Whole – Academy-wide Financial Statements

The statement of net assets and statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, community services and food service.

Unrestricted State Aid (foundation allowance revenue) and state and federal grants finance most of these activities.

These statements are prepared to include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Academy's net assets, the difference between assets and liabilities, as reported in the statement of net assets, are one way to measure the Academy's financial position. Over time, increases or decreases in the Academy's net assets are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, since the Academy's goal is to provide services to students and not generate profits, other non-financial factors, such as the education provided and the safety of the Academy should also be considered in order to assess the overall health of the Academy. The following table provides a summary of the Academy's net assets as of June 30, 2016 and 2017.

	2016	2017
Current and other assets	\$ 211,775	\$ 173,252
Capital assets	169,000	148,496
Total assets	380,775	321,748
Liabilities		
Current liabilities	90,903	110,225
Long-term liabilities	-	-
Total liabilities	90,903	110,225
Net Position		
Invested in capital assets – Net of related debt	169,000	148,496
Unrestricted	120,872	63,027
Total net position	\$ 289,872	\$ 211,523

The Academy's net assets were \$211,523 on June 30, 2017. Capital assets, net of related debt, totaling \$148,496 compares the original cost (less depreciation) of the Academy's capital assets. Restricted net assets are reported separately to show legal constraints for debt covenants and enabling legislation that limit the Academy's ability to use those net assets for day-to-day operations, which the Academy has none.

The \$63,027 in unrestricted net assets represents the accumulated results of the current year's operations. The unrestricted net asset balance is used to provide working capital and cash flow requirements as well as providing for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Academy as a whole are reported in the statement of activities (Table 2), which shows the changes in Net Position for fiscal year 2016 and 2017 respectively.

TABLE 2

	Governmental Activities	
	June 30, 2016	June 30, 2017
Revenue		
Program revenue:		
Operating grants and contributions	\$561,357	\$438,449
Other Revenue	5,072	-
General revenue:		
State foundation allowance	732,524	818,108
Total revenue	<u>1,298,953</u>	<u>1,256,557</u>
Functions/Program Expenses		
Instruction	424,148	491,431
Support services	365,866	416,839
Operations	303,296	359,520
Student Transportation	44,824	45,806
Community services	39,947	805
Depreciation (unallocated)	20,504	20,504
Total functions/program expenses	<u>1,198,585</u>	<u>1,334,905</u>
Increase (Decrease) in Net Position	100,368	-78,348
Net Position - Beginning of year	189,504	289,872

Reporting the Academy's Most Significant Funds—Fund Financial Statements

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

General Fund Budgetary Highlights

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

All amendments to the 2016–2017 budgets were approved by the New Paradigm College Prep School Board of Directors.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2016 and 2017 the Academy had \$169,000 and \$148,496 (after accumulated depreciation) invested in capital assets made up of equipment.

	2016	2017
Lease Holder Improvements and Equipment	<u>\$210,008</u>	<u>\$210,008</u>
Total capital assets	210,008	210,008
Less accumulated depreciation	<u>\$41,008</u>	<u>\$61,512</u>
Net capital assets	<u><u>\$169,000</u></u>	<u><u>\$148,496</u></u>

Economic Factors and Next Year's Budget

One of the most important factors affecting the budget is our student count. The state foundation allowance is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2018 fiscal year is 90 percent of October 2017 and 10 percent of the February 2018 student counts. The original 2018 budget was adopted in June 2017 based on the estimate of 83 students to be enrolled in September 2017. Based on early enrollment data

at the start of the 2017–2018 school year, we anticipate that the fall student count will meet our estimates. Once the final student count and related per pupil funding is validated, state law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to academies. The State periodically holds a revenue–estimating conference to estimate revenues. If the State estimates that funds are not sufficient to fund the appropriation, the legislature must revise the appropriation and prorating of state aid will occur. The impact on the Academy of a possible State projected revenue shortfall is not known.

NEW PARADIGM COLLEGE PREP ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 8,735
Other receivables	
State	144,389
Federal	10,128
Deposits	10,000
Capital assets, net of accumulated depreciation	<u>148,496</u>
Total assets	321,748
Liabilities	
Accounts payable	93,277
Other Current Liabilities	<u>16,948</u>
Total liabilities	110,225
Net Position	
Invested in capital assets, net of related debt	148,496
Non Spendable	10,000
Unrestricted	<u>53,027</u>
Total Net Position	<u><u>\$ 211,523</u></u>

See accompanying notes to financial statements

**NEW PARADIGM COLLEGE PREP ACADEMY
STATEMENT OF ACTIVITIES
FOR THE 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 and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>
Governmental Activities				
Instruction	\$ 491,432	\$ -	\$ 326,212	\$ (165,220)
Pupil Support Services	822,165	-	112,238	(709,927)
Community, Central Services	805	-	-	(805)
Depreciation	20,504	-	-	(20,504)
	<u>\$ 1,334,906</u>	<u>\$ -</u>	<u>\$ 438,450</u>	<u>(896,456)</u>
General revenues				
				818,108
				-
				<u>818,108</u>
				(78,349)
				<u>289,872</u>
				<u>\$ 211,523</u>

See accompanying notes to financial statements

**NEW PARADIGM COLLEGE PREP ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

ASSETS

	General Fund
Cash and investments	\$ 8,735
Due from other governmental units	154,517
Deposits	10,000
Total assets	\$ 173,252

LIABILITIES AND FUND BALANCES

Liabilities	
Accounts payable	\$ 93,277
Other Current Liabilities	16,948
Total liabilities	110,225
Fund Balances	
Unrestricted fund balance:	
Assigned fund balance	10,000
Unassigned fund balance	53,027
Total fund balances	63,027
Total liabilities and fund balances	\$ 173,252

See accompanying notes to financial statements

**NEW PARADIGM COLLEGE PREP ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO THE STATEMENT OF NET POSITON
JUNE 30, 2017**

Total Fund Balances - Governmental Funds \$ 63,027

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

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

Cost of capital assets	\$ 210,008	
Accumulated depreciation	<u>(61,512)</u>	148,496

Total Net Position- Governmental Activities	<u><u>\$ 211,523</u></u>
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See accompanying notes to financial statements

**NEW PARADIGM COLLEGE PREP ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund
Revenues	
Local sources	\$ 326,211
State sources	818,108
Federal Sources	112,238
Total revenues	1,256,557
Expenditures	
Current	
Instructional services	447,209
Added Needs	44,223
Supporting services:	
Pupil support services	40,418
Instructional Support	119,186
General administration services	129,001
School administration services	128,234
Business services	14,997
Operations and maintenance	301,768
Pupil transportation	45,806
Central	42,755
Community Support	805
Capital Outlay	-
Total expenditures	1,314,402
 Net Change in Fund Balances	 (57,845)
Fund Balances - Beginning of year	120,872
Fund Balances - End of year	\$ 63,027

See accompanying notes to financial statements

**NEW PARADIGM COLLEGE PREP ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Total Net Change in Fund Balances - Governmental Funds \$ (57,845)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period:

Depreciation expense	(20,504)	
Capital outlays (site improvements, equipment and furniture expenditures)	-	(20,504)

Change in Net Assets of Governmental Activities	\$ (78,349)
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See accompanying notes to financial statements

NEW PARADIGM COLLEGE PREP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of New Paradigm College Prep Academy (the “Academy”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

A. Reporting Entity

New Paradigm College Prep Academy is a public school academy that provides instructional and support services to elementary school students from kindergarten through the eighth grade. The 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 entered into a five-year contract with Grand Valley State University to charter a public school academy in August 2014. The Academy’s contract with Grand Valley is effective through July 31, 2020. 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. Grand Valley State University 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 Grand Valley State University three percent of State aid as an administrative fee. The total administrative fee paid for the year ended June 30, 2017 to the Grand Valley State University was approximately \$18,540.

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 and financial relationships that determine which of the governmental organizations are a part of the Academy’s reporting entity, and which organizations are legally separate, component units of the Academy. Based on application of the criteria, the entity does not contain component units.

NEW PARADIGM COLLEGE PREP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

B. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of Net Position and the statement of changes in Net Position) report information on all of the nonfiduciary activities of the primary government. Substantially all interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements

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

NEW PARADIGM COLLEGE PREP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The effect of the interfund activity has been substantially eliminated from the government-wide financial statements.

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

Fund-Based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

NEW PARADIGM COLLEGE PREP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The State of Michigan utilizes a foundation allowance approach, which provides for a 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. Revenues from state sources are 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.

The Academy also receives revenue from the State to administer certain categorical educational programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received which are not expected to be expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

The Academy reports the following major governmental fund:

General Fund

The General Fund is used to record the general operation 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.

NEW PARADIGM COLLEGE PREP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

D. Assets, Liabilities, and Net Position or Equity

Deposits, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired.

The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk are used as depositories.

The Academy is authorized by Michigan Compiled Laws, Section 129.91 to invest surplus monies in federally insured United States banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is also authorized to invest in bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Pooled investment income from the General Fund and various Debt Service Funds is allocated to each fund based upon the balance of the principal invested.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased

**NEW PARADIGM COLLEGE PREP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

D. Assets, Liabilities, and Net Position or Equity (Continued)

Capital Assets (Continued)

or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have any infrastructure-type assets.

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

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 20 years

MPSERS Liability

The Academy contracted with the New Paradigm for Education, Inc. – Management Company to provide all staffing personnel during the year under audit. Consequently, all staffing cost is treated as purchased services in these financial statements.

The Academy has no obligation to fund the Michigan Public School Employees Retirement System for the year ended June 30, 2017.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

NEW PARADIGM COLLEGE PREP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of Net Position. In the fund financial statements, governmental fund types recognize bond proceeds, premiums and discounts, as well as issuance costs, during the current period.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included.

District-wide financial statements (statement of Net Position and statement of activities) prepared using full accrual accounting for all of the Academy's activities have been provided.

NEW PARADIGM COLLEGE PREP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

Capital assets of \$148,496 (net of accumulated depreciation of \$61,512) are currently recorded in the governmental activities column of the statement of Net Position.

The fund financial statements focus on major funds rather than fund types.

Estimates

The preparation of the 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.

Budgetary Data

The Academy is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgetary Act). The following is a summary of the requirements of the Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

**NEW PARADIGM COLLEGE PREP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

D. Assets, Liabilities, and Net Position or Equity (Continued)

Budgetary Data (Continued)

The following segments of the budget were over expended by the amounts stated below:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>General Fund</u>			
Pupil Support Services	27,071	40,418	13,347
Instructional Staff Services	112,462	119,186	6,724
General Administration Services	105,334	129,001	23,667
Business Services	13,762	14,997	1,235

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Academy formally adopted a General Fund budget by function for the fiscal year ended June 30, 2017. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. No encumbrances were outstanding in the General Fund at June 30, 2017. During the current year, the budget was amended in a legally permissible manner.

The combined statement of revenues, expenditures and changes in fund balances – all governmental fund types is presented in conformity with generally accepted accounting principles. The combined statement of revenues, expenditures and changes in fund balances – budget and actual is presented on the same basis of accounting used in preparing the adopted budget.

NEW PARADIGM COLLEGE PREP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS

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

The Academy's cash and investments are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy evaluates its depositories and only those with an acceptable risk level are used for the Academy's deposits. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

At year end, the Academy's deposits and investments were reported in the basic financial statements as cash and cash equivalents of \$8,734.84.

The deposits of the Academy were reflected in the accounts of the financial institution at \$45,619.43 of which, \$45,619.43 is covered by federal depository insurance.

NEW PARADIGM COLLEGE PREP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2017</u>
Assets being depreciated:				
Furniture and fixtures	\$ 80,978		\$ -	\$ 80,978
Leasehold improvements	129,030		-	129,030
Subtotal	210,008	-	-	210,008
Accumulated depreciation:				
Furniture and fixtures	28,104	14,052	-	42,156
Leasehold improvements	12,904	6,452	-	19,356
Subtotal	41,008	20,504	-	61,512
Net capital assets being depreciated	169,000	(20,504)	-	148,496
Net capital assets	<u>\$ 169,000</u>	<u>\$ (20,504)</u>	<u>\$ -</u>	<u>\$ 148,496</u>

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

NOTE 5 - RISK MANAGEMENT

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

NEW PARADIGM COLLEGE PREP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - MANAGEMENT AGREEMENT

The Academy has entered into a management agreement with The New Paradigm for Education, Inc. (the “Management Company”), a non-profit corporation. The Management Company is responsible for all management, operation, administration, and education of the Academy. All Academy personnel are provided by the Management Company. The total management fee expensed by New Paradigm College Prep Academy for the year ended June 30, 2016 and 2017 was \$60,623 and \$93,241 respectively.

NOTE 7 - OPERATING LEASE

The Academy entered an operating lease agreement with the Roman Catholic Archbishop of the Archdiocese of Detroit, effective March 1, 2014 through July 31, 2019. The Academy is responsible for insurance, repairs and maintenance for its building. The academy incurred rent expense in connection with this lease of \$141,900 and \$157,000 for the years ended June 30, 2016 and June 30, 2017.

NOTE 8 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 25, 2017, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

**NEW PARADIGM COLLEGE PREP ACADEMY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual (Fund Basis)	Variances Over/(Under)
	Original	Final		Final to Actual
Revenues				
Local revenues	\$ 359,692	\$ 325,290	\$ 326,211	\$ 921
State program revenues	836,923	820,524	818,108	(2,416)
Federal program revenues	82,234	91,572	112,238	20,666
Total revenues	<u>1,278,849</u>	<u>1,237,386</u>	<u>1,256,557</u>	19,171
Expenditures				
Current				
Instructional services	448,815	485,148	447,209	(37,939)
Added Needs	41,591	47,575	44,223	(3,352)
Supporting services				
Pupil support services	21,536	27,071	40,418	13,347
Instructional staff services	113,239	112,462	119,186	6,724
General administration services	130,737	105,334	129,001	23,667
School administration services	138,026	132,463	128,234	(4,229)
Business services	10,607	13,762	14,997	1,235
Operations and maintenance	319,993	328,652	301,768	(26,884)
Transportation	62,019	48,237	45,806	(2,431)
Central	21,512	56,449	42,755	(13,694)
Community services	804	1,104	805	(299)
Capital Outlay	-	-	-	-
Total expenditures	<u>1,308,879</u>	<u>1,358,258</u>	<u>1,314,402</u>	<u>(43,855)</u>
Excess (Deficiency) of Revenues Over Expenditures	(30,030)	(120,872)	(57,845)	63,027
Other Financing Sources (Uses)				
Prior period adjustment	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balances	(30,030)	(120,872)	(57,845)	63,027
Fund Balance - Beginning of year	<u>120,872</u>	<u>120,872</u>	<u>120,872</u>	-
Fund Balance - End of year	<u>\$ 90,842</u>	<u>\$ -</u>	<u>\$ 63,027</u>	<u>\$ 63,027</u>

See accompanying notes to financial statements

**NEW PARADIGM COLLEGE PREP ACADEMY
REPORT TO THE BOARD OF DIRECTORS**

JUNE 30, 2017

Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3 PARKLANE BLVD. SUITE 612
DEARBORN, MICHIGAN 48126
313-982-4340 FAX 313-982-4342

LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

To the Board of Directors
New Paradigm College Prep Academy

We have recently completed our audit of the basic financial statements of New Paradigm College Prep Academy (the "Academy") as of and for the year ended June 30, 2017. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy:

	<u>Page(s)</u>
Results of Audit	2-5
Recommendations	6
Informational Items	6-7

We are grateful for the opportunity to be of service to New Paradigm College Prep Academy. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Wilkerson & Associate PC

September 25, 2017

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors
New Paradigm College Prep Academy
September 25, 2017

Results of the Audit

We have audited the financial statements of New Paradigm College Prep Academy (the “Academy”) as of and for the year ended June 30, 2017 and have issued our report thereon dated September 25, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 28, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Academy. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Academy’s financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Academy’s compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated September 25, 2017 regarding our consideration of the Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

To the Board of Directors
New Paradigm College Prep Academy
September 25, 2017

We are also obligated to communicate certain matters related to our audit of those responsible for the governance of the Academy, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters during the preliminary audit phase.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017.

We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates included in this year's financial statements.

To the Board of Directors
New Paradigm College Prep Academy
September 25, 2017

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive disclosures included in the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management Consultants with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultant involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Board of Directors
New Paradigm College Prep Academy
September 25, 2017

Other Audit Findings or Issues

In the normal course of our professional association with the Academy, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Academy's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Academy's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such information is properly stated. However, we read the management's discussion and analysis and budgetary comparison schedule and nothing came to our attention that caused us to believe that such information, or its manner of presentation is materially inconsistent with the information or manner of its presentation in the financial statements.

In addition to the comments and recommendations in this letter, our observations and comments regarding the Academy's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the 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*.

This information is intended solely for the use of the board of directors and management of New Paradigm College Prep Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Wilkerson & Associate PC

Larry D. Wilkerson, CPA

To the Board of Directors
New Paradigm College Prep Academy
September 25, 2017

Recommendations

NEW PARADIGM COLLEGE PREP ACADEMY RECOMMENDATIONS

As a result of auditing standards required to be implemented last year, the audit continues to require a strong emphasis to be placed on the Academy's internal control systems. The primary goal of internal controls is to provide a reasonable (as opposed to absolute) protection to the Academy and its assets and financial information. During this year's audit process, we noted no items that required management to make changes; therefore, no recommendations are made for this year.

Informational Items

NEW PARADIGM COLLEGE PREP ACADEMY

Cybersecurity and data backup best practices

The Academy's data is critically important. There are thousands of ways data can be compromised. It is vitally important that all employees and staff have proper knowledge on what is safe to click on and what is not. It is equally important that a proper data backup solution is in place in the event a Academy's information is targeted by malware or a fraudulent email attack. A School's vital information is always a moment away from being compromised. Encouraging and educating all staff to pay attention to what they click on and what they do is the first step in keeping information safe.

Having a proper data backup solution in place can mean the difference between a Academy's surviving a cyber-attack or losing valuable data and time. Every School should know the answer to two questions when looking at data backup solutions.