



THE CLAIRMOUNT GROUP, PLC

Certified Public Accountants

Marvin L. Winans Academy of Performing Arts

(A Michigan Public School Academy)

Financial Statements

For the Year Ended

June 30, 2021



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THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Marvin L. Winans Academy of Performing Arts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund (General Fund), of Marvin L. Winans Academy of Performing Arts (the "Academy") as of June 30, 2021 and for the year ended, 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 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 and the major fund of the Academy as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 Marvin L. Winans Academy of Performing Arts' basic financial statements. The introductory, statistical section and schedule of expenditures for federal awards is presented for purposes of additional analysis and is 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 Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 27, 2021, on 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 and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

The Clairmount Group, PLC

The Clairmount Group, PLC
Detroit, MI
October 27, 2021

Marvin L. Winans Academy of Performing Arts Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. Those statements are organized so the reader can understand Marvin L. Winans Academy of Performing Arts (the "Academy") financially as a whole. The government-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. These 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 operation in more detail than the government-wide financial statements by providing information about the Academy's most significant fund- The General Fund- with all other presented in one column as non-major funds. The components of the annual report are as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

Basic Financial Statements
Government-Wide Financial Statements- Fund Financial Statements
Notes to the Basic Financial Statements
(Required Supplementary Information)
Budgetary Information for Major Fund
Other Supplementary Information

Reporting the Academy as a Whole – Government-Wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Academy's net position- the difference between assets and liabilities, as reported in the statement of net position – as one way to measure the Academy's financial position. Over time, increases or decreases in the Academy's net position – as reported in the statement of activities –are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of education provided and the safety of the school, to assess the overall health of the Academy.

The statement of net position and the statement of activities report the governmental activities for the Academy, which encompasses all of the Academy's services, including instruction, support services, and athletics. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

Marvin L. Winans Academy of Performing Arts Management's Discussion and Analysis (continued)

Reporting the Academy's Governmental Fund – Fund Financial Statements

The Academy's fund financial statements provide detailed information about the General Fund- not the Academy as a whole. The governmental funds of the Academy use the following accounting approach:

Governmental Funds- All of the Academy's services are reported in the governmental funds. Governmental fund reporting focuses on showing how money flows into 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 operations of the Academy and 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. We describe the relationship (or difference) between governmental activities (reported in the statement of net position and the statement of activities) and the governmental fund reconciliations.

The Academy as a Whole

As discussed above, the Statement of Net position provides information of the Academy as a whole. Table 1 provides a summary of the Academy's net position as of June 30, 2021:

	Governmental Activities (in thousands)	
<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$1,334.1	\$1,589.8
Capital assets - net of accumulated depreciation	1,062.2	1,158.5
Total Assets	<u>2,396.3</u>	<u>2,748.3</u>
<u>Liabilities</u>		
Current liabilities	<u>513.6</u>	<u>307.1</u>
<u>Net Position</u>		
Invested in capital assets	1,062.2	1,158.5
Unrestricted	<u>820.5</u>	<u>1,282.7</u>
Total Net Position	<u>1,882.7</u>	<u>2,441.2</u>
Total Liabilities and Net Position	<u>2,396.3</u>	<u>2,748.3</u>

Net Position - The Academy's financial position decreased from the prior period as total net position decreased by \$558.5 thousands. The decrease in the financial position is primarily due to a decline in enrollment.

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the Academy's governmental activities is discussed below. The Academy's net position was \$1,882.7 thousands on June 30, 2021. Capital assets, recorded at historical cost, net of depreciation, totaled \$1,062.2 thousands. The remaining amount of net position, \$820.5 thousands, was unrestricted that represents accumulated results of all past year's operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

Marvin L. Winans Academy of Performing Arts Management's Discussion and Analysis (continued)

The results of this year's operations for the Academy as a whole are reported in the statement of activities (see Table 2), which shows the change in net position for fiscal year ended June 30, 2021.

<u>Revenues</u>	Governmental Activities (in thousands)	
	<u>2021</u>	<u>2020</u>
Program Revenues:		
Operating grants and contributions	\$1,083.5	\$1,195.2
General Revenues:		
State foundation allowance	3,553.8	3,373.3
Other	95.4	41.0
Total Revenues	<u>4,732.6</u>	<u>4,609.5</u>
Function/Program Expenses:		
Instruction	2,736.4	2,918.0
Support services	2,441.7	2,609.8
Depreciation	113.0	113.0
Total Expenses	<u>5,291.1</u>	<u>5,640.8</u>
Increase/(Decrease) in Net Position	<u>-\$ (558.5)</u>	<u>-\$ (1,031.3)</u>

Change in Net Assets

As reported in the statement of activities, the cost of all of our governmental activities this year was \$5,291.1 thousands. Certain activities were partially funded from those who benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions of \$1,083.5 thousands. We paid for the remaining "public benefit" portion of our governmental activities with \$3,655.2 thousands in state foundation allowance and with our other revenues.

As discussed above, the net cost shows the financial burden that was placed on the Academy by each of these functions. Since unrestricted state aid constitutes the vast majority of the Academy operating revenue sources, the board of directors and administration must annually evaluate the needs of the Academy and balance those needs with state-prescribed available unrestricted resources.

The Academy's Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources the state and others provide to it and may provide insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a fund balance of \$820.5 thousands. The General Fund is available to fund costs related to school operations.

Capital Assets

As of June 30, 2021, the Academy had \$1,062.2 thousands invested in net capital assets, including leasehold improvements, furniture, and equipment. The amount represents a net decrease, including additions and disposals, of \$113.0 thousand from last year.

Marvin L. Winans Academy of Performing Arts Management's Discussion and Analysis (continued)

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditure does not exceed appropriations. The final amendment to the budget was actually 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 supplementary information of these financial statements.

There were revisions made to the 2020-2021 General Fund original budget. Budgeted revenues decreased by \$462.2 thousands due mainly to the Academy not meeting the budgeted enrollment.

Overall, the budgeted expenditures decreased approximately \$331.6 thousands, mainly in instructional expenses due to the reduce in student enrollment.

Economic Factors affecting Next Year's Budget

The Academy's administration considered many factors when setting the Academy's 2021 fiscal year's budget. One of the most important factors affecting the budget is the Academy's student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. Currently the foundation allowance is \$8,700 for fiscal year 2020-2021. The blended count for the fiscal year is 10 percent and 90 percent of February 2020 and September 2021 student count, respectively. Historically, schools could expect an increase to the foundation allowance yearly.

The 2021-2022 budget was adopted in June 2021, based on estimated number of students that will be enrolled in September 2021. Approximately, 85 percent of the total general fund revenue is from the foundation allowance. The Academy is also looking to receive more grants and private revenues. This will allow the Academy to place more funds in the classroom and enhance its financial position.

For more information, please contact the Financial Director at 313-873-7625.

Marvin L. Winans Academy of Performing Arts
Statement of Net Position
June 30, 2021

Assets	
Current Assets	
Cash and investments	\$ 33,828
Due from governmental units	1,299,408
Other assets	903
Total current assets	<u>1,334,139</u>
Capital Assets - net of accumulated depreciation	<u>1,062,163</u>
Total assets	<u><u>\$ 2,396,302</u></u>
Liabilities and Net Position	
Liabilities	
Accounts payable	\$ 127,451
Accrued salaries payable	218,625
Note payable	80,972
Other accruals	86,547
Total current liabilities	<u>513,595</u>
Net Position	
Net investment in capital assets	1,062,163
Unrestricted	<u>820,544</u>
Total net position	<u>1,882,707</u>
Total liabilities and net position	<u><u>\$ 2,396,302</u></u>

The accompanying notes are an integral part of these financial statements.

Marvin L. Winans Academy of Performing Arts
Statement of Activities
Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Assets</u>
Primary government-Governmental Activities:				
Instruction	\$ 2,736,385	\$ -	\$ 1,046,712	\$ (1,689,673)
Support services				
Pupil	24,876	-	-	(24,876)
Instructional	60,049	-	36,745	(23,304)
General administration	504,772	-	-	(504,772)
School administration	443,030	-	-	(443,030)
Business services	141,212	-	-	(141,212)
Operation and maintenance	1,223,618	-	-	(1,223,618)
Pupil transportation and services	5,393	-	-	(5,393)
Central services	26,175	-	-	(26,175)
Other services	12,527	-	-	(12,527)
Depreciation unallocated	113,041	-	-	(113,041)
Total Governmental Activities	<u>\$ 5,291,078</u>	<u>\$ -</u>	<u>\$ 1,083,457</u>	(4,207,621)
General Revenues:				
State aid not restricted to specific purposes				3,553,767
Other income				95,353
Total general revenues				<u>3,649,120</u>
Change in net position				(558,501)
Net Position, beginning of year				<u>2,441,208</u>
Net Position, end of year				<u>\$ 1,882,707</u>

The accompanying notes are an integral part of these financial statements.

**Marvin L. Winans Academy of Performing Arts
Governmental Funds
Balance Sheet
June 30, 2021**

	General Fund
Assets	
Cash and cash equivalents	\$ 33,828
Due from other governmental units	1,299,408
Other assets	903
Total assets	<u>\$ 1,334,139</u>
Liabilities	
Accounts payable	\$ 127,451
Accrued salaries	218,625
Notes payable	80,972
Other accruals	86,547
Total liabilities	<u>513,595</u>
Fund Balance	
Unassigned	<u>820,544</u>
Total liabilities and fund balance	<u>\$ 1,334,139</u>
Reconciliation of the Total Governmental Fund Balance to Net Position of Governmental Activities	
Fund Balance - Total governmental funds	\$ 820,544
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in governmental funds	
Cost of capital assets	4,552,174
Accumulated depreciation	<u>(3,490,011)</u>
	<u>1,062,163</u>
Total Net Position - Governmental activities	<u>\$ 1,882,707</u>

The accompanying notes are an integral part of these financial statements.

**Marvin L. Winans Academy of Performing Arts
Governmental Funds
Statement of Revenue, Expenditures and Changes in
Fund Balances
Year Ended June 30, 2021**

	General Fund
Revenues	
Local sources	\$ 95,353
State sources	3,553,767
Federal sources	1,083,457
Total revenues	<u>4,732,577</u>
Expenditures	
Current	
Instruction services	
Basic programs	1,619,708
Added needs	1,116,677
Total instruction	<u>2,736,385</u>
Support services	
Pupil	24,876
Instructional	60,049
General administration	504,772
School administration	443,030
Business services	141,212
Operation and maintenance	1,240,308
Pupil transportation and services	5,393
Central services	26,175
Other services	12,527
Total support services	<u>2,458,342</u>
Total expenditures	5,194,727
Net change in fund balance	(462,150)
Fund Balance - Beginning of year	<u>1,282,694</u>
Fund Balance - End of year	<u>\$ 820,544</u>

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities**

Net Change in Fund Balance - Total governmental funds	\$ (462,150)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlay	16,690
Depreciation expense	<u>(113,041)</u>
Change in Net Position of Governmental Activities	<u>\$ (558,501)</u>

The accompanying notes are an integral part of these financial statements.

Marvin L. Winans Academy of Performing Arts
Notes to Financial Statements
June 30, 2021

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Marvin L. Winans Academy of Performing Arts (the “Academy”) conform to accounting principles accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy

Reporting Entity

The Academy was formed as a charter 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 was established on May 12, 1997 as a public school academy. The Academy is located in the metropolitan Detroit area providing education for approximately 417 students in grades K-8.

On May 12, 1997, the Academy entered into a 5-year contract with the Saginaw Valley State University Board of Trustees to charter a public school academy. The charter was renewed on June 17, 2019 and expires June 30, 2024. 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 Saginaw Valley University Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays the Saginaw Valley State University Board of Trustees 3% of state aid as administrative fees. The total administrative fees for the year ended June 30, 2021 to the Saginaw Valley State University Board of Trustees were \$94,560.

Administrative Services

On June 1, 2018, the Academy entered into an automatic renewal management agreement with Solid Rock Management Company that expired June 30, 2021. Under the terms of the agreement, Solid Rock is responsible for complete management, operations, administration and educational program of the Academy. The Academy paid a fee of \$381,335 to Solid Rock Management Company.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements - The government-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 revenues as soon as all eligibility requirements imposed by the provider have been met.

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

Marvin L. Winans Academy of Performing Arts
Notes to Financial Statements
June 30, 2021

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position or Equity

Cash and Investments – Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired. Investments are stated at fair value.

Receivables – Accounts receivable are shown net of allowance for uncollectible amounts. Management determines the allowance based on a specific review of items where collectability is questionable.

Capital Assets - Capital assets, which include building improvements and furniture and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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 infrastructure-type assets.

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

Machines and equipment	10 to 20 years
Computers and software	5 years
Furniture and other equipment	20 years

Net Position – Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net position consists of the following:

Net investment in capital assets – Consists of historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – Consists of restricted assets less any accrued interest.

Unrestricted net position – Consists of all other assets that do not meet the definition of “restricted” or “Net investment in capital assets”.

Fund Equity – In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change. The fund balances are classified as shown below:

Unassigned: The residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Use of 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 estimates.

Marvin L. Winans Academy of Performing Arts
Notes to Financial Statements
June 30, 2021

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information- Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law.

State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The Academy decreased budgeted amounts during the year in response to changes in enrollment and related revenues and expenditures.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

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, banker's 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. The Academy's cash and investments are subject to several types of risks, which are 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's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the Academy's deposits for custodial credit risk. At year end, the Academy had deposits of \$51,560 with two financial institutions of which are within the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academy evaluates the financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Marvin L. Winans Academy of Performing Arts
Notes to Financial Statements
June 30, 2021

NOTE 4 – RECEIVABLES

Receivables as of year-end for the Academy’s individual major funds and the non-major funds in the aggregate, including the applicable allowances for uncollectible accounts. At the end of the fiscal year, receivables were as shown below:

	<u>2021</u>
State of Michigan	\$ 638,104
Federal	541,175
Other	120,129
	<u>\$ 1,299,408</u>

All receivables were deemed collectible as of June 30, 2021.

NOTE 5 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets being depreciated:				
Building and improvements	\$ 2,983,950	\$ 16,690	-	\$ 3,000,640
Furniture & Equipment	1,544,676	-	-	1,544,676
Signage	6,858	-	-	6,858
Subtotal	<u>4,535,484</u>	<u>16,690</u>	<u>-</u>	<u>4,552,174</u>
Accumulated depreciation:				
Building and improvements	1,825,436	113,041	-	1,938,477
Furniture & Equipment	1,544,676	-	-	1,544,676
Signage	6,858	-	-	6,858
Subtotal	<u>3,376,970</u>	<u>113,041</u>	<u>-</u>	<u>3,490,011</u>
Net capital assets being depreciated	<u>\$ 1,158,514</u>	<u>\$ (96,351)</u>	<u>\$ -</u>	<u>\$ 1,062,163</u>

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

NOTE 6 – OPERATING LEASES

On July 1, 2019, an agreement was entered into by Perfecting Holdings (lessor) and Marvin L. Winans Academy of Performing Arts, Inc. (lessee). The lease calls for monthly rent of \$77,500 and expires on June 30, 2021. Total rent expense charged in these financial statements was \$930,000.

Related Party Lease – One of the owners of Solid Rock Management Company is the President of the board of Perfecting Holdings (a non-profit organization).

Marvin L. Winans Academy of Performing Arts
Notes to Financial Statements
June 30, 2021

NOTE 7 – NOTES PAYABLE

The Academy participated in the State Aid Borrowing Program and borrowed \$400,000 at an interest rate of 3.25 percent. The borrow was utilized for working capital. Interest paid was \$5,734.

	Beginning Balance	Additions	Reductions	Ending Balance
State Aid Borrowing	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ 319,028</u>	<u>\$ 80,972</u>

NOTE 8 – LEASED EMPLOYEES

The Academy leases its entire staff from Solid Rock Management Company (the “Solid Rock”). Solid Rock is responsible for providing personnel to the Academy and the Academy shall reimburse Solid Rock for its payment of all such compensation as approved by the Board and provided for in the budget.

NOTE 9 – RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers’ compensation), as well as medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company is covered by insurance held by the employee leasing company. The Academy has purchased commercial insurance for all other claims.

NOTE 10 – CONTINGENCIES

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

Note 11 – SUBSEQUENT EVENTS

On July 1, 2021, the Academy entered into a one-year contract with Perfecting Holdings for the lease of the current building in the amount of \$930,000.

On September 2, 2021, the Academy participated in the State Aid Borrowing Program and borrowed \$400,000 at a rate of 3.0 percent

Subsequent events have been evaluated through October 27, 2021, which is the date the financial statements were available to be issued. Events occurring after the date have not been evaluated to determine whether a change in the financial statements would be required.

Required Supplemental Information

**Marvin L. Winans Academy of Performing Arts
Required Supplemental Information
Budget Comparison Schedule - General Fund
June 30, 2021**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 36,500	\$ 103,123	\$ 95,353	\$ (7,770)
State sources	4,491,500	3,545,393	3,553,767	8,374
Federal sources	563,654	1,035,707	1,083,457	47,750
Incoming Transfers & Other Transactions	-	380,000	-	(380,000)
	<u>5,091,654</u>	<u>5,064,223</u>	<u>4,732,577</u>	<u>(331,646)</u>
Total Revenue				
Expenditures				
Current				
Instruction:				
Basic programs	1,713,016	1,064,688	1,619,708	555,020
Added needs	1,121,544	1,371,491	1,116,677	(254,814)
	<u>2,834,560</u>	<u>2,436,179</u>	<u>2,736,385</u>	<u>300,206</u>
Support Services:				
Pupil	-	-	24,876	24,876
Instructional	161,525	141,200	60,049	(81,151)
General administration	638,325	501,899	504,772	2,873
School administration	409,510	596,836	443,030	(153,806)
Business support	304,500	122,035	141,212	19,177
Operation and maintenance	1,191,070	1,128,185	1,240,308	112,123
Pupil transportation and services	60,000	3,264	5,393	2,129
Central services	20,000	10,077	26,175	16,098
Other services	15,000	10,077	12,527	2,450
	<u>2,799,930</u>	<u>2,513,573</u>	<u>2,458,342</u>	<u>(55,231)</u>
Total Support Services				
Total Expenditures	5,634,490	4,949,752	5,194,727	244,975
Net Change in Fund Balance	(542,836)	114,471	(462,150)	(576,621)
Fund Balance - July 1, 2020	1,282,694	1,282,694	1,282,694	-
Fund Balance - June 30, 2021	<u>\$ 739,858</u>	<u>\$ 1,397,165</u>	<u>\$ 820,544</u>	<u>\$ (576,621)</u>

Additional Required Supplementary Information



THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Board of Directors of
Marvin L. Winans Academy of Performing Arts

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 Marvin L. Winans Academy of Performing Arts, for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated October 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

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.

The Clairmount Group, PLC

The Clairmount Group, PLC
Detroit, MI



THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance

Independent Auditor's Report

To the Board of Directors of
Marvin L. Winans Academy of Performing Arts

Report on Compliance for Each Major Federal Program

We have audited Marvin L. Winans Academy of Performing Arts (the "Academy") 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 Academy's major federal programs for the year ended June 30, 2021. The 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 Requirement, 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 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 Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Marvin L. Winans Academy of Performing Arts 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, 2021

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Code.

Report on Internal Control Over Compliance

Management of the 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 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 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 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.

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.

The Clairmount Group, PLC

The Clairmount Group, PLC
Detroit, Michigan
October 27, 2021

Marvin L. Winans Academy of Performing Arts
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Program Title/Project Number Subrecipient Name	CFDA Number	Approved Awards Amount	Accrued (Deferred) Revenue at July 1, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2021
U.S. Department of Education:							
Passed through the Michigan Department of Education:							
Title I, Part A	84.010						
Project number 201530		574,524	\$ 75,593	\$ -	\$ 111,335	\$ 35,742	\$ -
Project number 211530		477,007	-	-	211,479	389,387	177,908
Total Title I, Part A		1,051,531	75,593	-	322,814	425,129	177,908
Passed through the Michigan Department of Education:							
Title II, Part A	84.367						
Project number 200520		105,874	6,469	-	6,469	-	-
Project number 210520		-	-	-	16,770	36,744	19,974
Total Title II, Part A		105,874	6,469	-	23,239	36,744	19,974
Passed through the Michigan Department of Education:							
Title IV, Part A	84.424						
Project number 200750		34,876	892	(1,370)	(478)	-	-
Project number 210750		-	-	-	8,567	11,059	2,492
Total Title IV, Part A		34,876	892	(1,370)	8,089	11,059	2,492
Passed through the Michigan Department of Education:							
Elementary and sceondary school emergency relief funds	84.425						
Project number 203710		381,977	149,109	-	381,977	232,868	-
Project number 203720		57,274	-	-	32,000	40,000	8,000
Project number 201200		31,954	-	-	4,850	9,279	4,429
Project number 213712		754,828	-	-	-	207,646	207,646
Project number 213722	84.425D	187,000	-	-	-	78,506	78,506
		1,413,033	149,109	-	418,827	568,299	298,581
Special Education Cluster:							
U.S. Department of Education:							
Passed through the Wayne County ISD - IDEA:							
Project number 201450	84.027	42,220	42,000	-	42,000	42,220	42,220
Total federal awards		\$ 1,616,478	\$ 274,063	\$ (1,370)	\$ 778,119	\$ 1,083,451	\$ 541,175

Marvin L. Winans Academy of Performing Arts
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Note 1 – Basis of Presentation and Significant Accounting Policies

The accompanying schedule of federal awards (the “Schedule”) includes the federal grant activity of Marvin L. Winans Academy of Performing Arts under programs of the federal government for the year ended June 30, 2021. Expenditures reported on the Schedule are reported on the same basis of accounting as the general purpose financial statements. The information in the 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). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in preparation of the general purpose financial statements.

Because the Schedule presents only a selected portion of the operations of Marvin L. Winans Academy of Performing Arts, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of Marvin L. Winans Academy of Performing Arts. Pass-through entity identifying numbers are presented where available.

Note 2 – Grant Auditor’s Report

Management has utilized the Cash Management System (CMS) Grant Auditor’s Report in preparing the schedule of expenditure of federal awards. There were no exceptions due to timing of cash receipts.

	<u>Title I</u>	<u>Title II</u>	<u>ESSER</u>
Cash received per the Grant Auditor's Report	\$ 439,528	\$ 43,214	\$ 9,279
Cash received after June 30, 2021	<u>(116,715)</u>	<u>(19,975)</u>	<u>(4,850)</u>
Cash received per the Schedule of Expenditures of Federal Awards	\$ 322,813	\$ 23,239	\$ 4,429

**Marvin L. Winans Academy of Performing Arts
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2021**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes _____ X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes _____ X No

Noncompliance material to financial statements noted? _____ Yes _____ X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes _____ X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes _____ X No

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 Section 510(a) of Circular A-133? _____ Yes _____ X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster:
84.010	Title I, Part A

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes _____ X No

Section II – Financial Statement Findings

There were none

Section III – Federal Award Findings and Questioned Costs

There were none.

Section IV - Summary Schedule of Prior Audit Findings

There were none.