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STEVENS KIRINOVIC & TUCKER P.C.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS

To the Board of Directors
Michigan Independent Colleges & Universities
Lansing, Michigan

In planning and performing our audit of the financial statements of Michigan Independent Colleges & Universities (MICU) (a nonprofit organization) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered MICU's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 MICU's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiency in the Organization's internal control to be a significant deficiency:

POLICIES AND PROCEDURES

During the course of our audit, we noted that MICU has not formally adopted written procedures and policies in a few key areas. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater visibility over those areas for which they are responsible. Specifically, we recommend that MICU adopt or review and update written procedures and policies in the following areas:

This communication is intended solely for the information and use of the Board of Directors and management of MICU, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

November 29, 2017

STEVENS KIRINOVIC & TUCKER P.C.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS

To the Board of Directors
Michigan Independent Colleges & Universities
Lansing, Michigan

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POLICIES AND PROCEDURES

During the course of our audit, we noted that MICU has not formally adopted written procedures and policies in a few key areas. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater visibility over those areas for which they are responsible. Specifically, we recommend that MICU adopt or review and update written procedures and policies in the following areas:

a. Fraud risk management program - We recommend that MICU develop and formally implement a fraud risk management program that is appropriate to the size and complexity of MICU. Such a fraud risk management program may involve assessing vulnerabilities to fraudulent activity and whether any of those exposures could result in material misstatement of the financial statements, but should also inform management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within MICU, and instructions for reporting fraud within the chain of command.

b. Business continuity plan - A business continuity plan would clarify the Organization's position of the procedures it would undertake if an interruption of critical business processes were to occur. We recommend MICU develop and implement a policy addressing business continuity and include it in the policy manual.

c. Credit card policy - We noted MICU does not have a policy related to the use of credit card held in MICU's name. We recommend that MICU establish a detailed credit card policy to increase formal accountability and help ensure that funds are expended properly. Such a policy should include and/or address the following items:

    i. An officer or employee designated to oversee credit card issuance, accounting, monitoring, and compliance with the policy;
    ii. The use of the credit card only for the purchase of goods and services for the official business of the organization;
    iii. User of the credit card must submit documentation of what goods and services were purchased, the cost, the date of purchase, and the official business for which purchase was made;
    iv. Office or employee is responsible for credit card protection and custody and must report lost or stolen cards;
    v. Credit card to be returned to the organization at termination of official or employee;
    vi. Internal control systems over the use of credit cards;
    vii. Approval of credit card invoices prior to payment;
    viii. The balance, including interest, must be paid within 60 days of the initial statement date;
    ix. Disciplinary measures for unauthorized use of credit card;
    x. and Other matters the organization considers advisable

Other Matter

An accounting standard update related to the not-for-profit reporting model is effective for the Organization's fiscal year ending June 30, 2019. One requirement of the accounting standards update is for all not-for-profit entities to present an analysis of expenses by function and nature in one location within the financial statements. Such an analysis may be presented as a separate statement of functional expenses, as a table in the notes to the financial statements, or as part of the statement of activities. In addition, not-for-profit entities are required to include a description of the method(s) used to allocate costs among program services and supporting services. In preparation for the implementation of this accounting standards update, we would like to offer the following "best practice" recommendation:

FUNCTIONAL EXPENSE ALLOCATION

While some expenses may be directly assigned to a particular function, other expenses relate to more than one program or supporting service activity or a combination of programs and supporting service activities. Direct identification of specific expense is the preferable method of charging expenses to various functions. However, if direct identification is impossible or impracticable, an allocation is appropriate.

A reasonable allocation of expenses among a not-for-profit entity's functions may be made on a variety of bases, including financial and nonfinancial data. We noted that MICU currently allocates expenses that are not directly charged to a specific program or supporting service based on management's estimate of professional staff time spent on the specific program or supporting service activities.

We recommend that management develop formal allocation methodologies to be used to allocate expenses. Such allocations should be supported by a documented time study, square footage analysis, actual usage, or some other reasonable and consistent methodology. The allocation methodologies should also be periodically reviewed and revised when necessary to reflect significant changes in the nature or level of the Organization's current activities, so that the financial statements appropriately reflect the amounts for program service and supporting service activities.

This communication is intended solely for the information and use of the Board of Directors and management of MICU, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

November 29, 2017

SK&T

STEVENS KIRINOVIC & TUCKER P.C.

To the Members of the Board
Michigan Independent Colleges & Universities
Lansing, Michigan

We have audited the financial statements of Michigan Independent Colleges & Universities (MICU) for the year ended June 30, 2017, and have issued our report thereon dated November 29, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 7, 2017. Professional standards also require that we communicate to you, the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by MICU are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2017. We noted no transactions entered into by MICU during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. The most sensitive estimates affecting the financial statements were:

- Management's calculation of depreciation expense for the current period is based on an estimate of the useful lives of the fixed assets.
- Management's allocation of functional expenses to program and supporting services is based on actual expenses as well as management's estimation of time spent by employees on the respective services.

We evaluated the key factors and assumptions used to develop these account estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were detected as a result of audit procedures.

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Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements 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 November 29, 2017.

Management Consultations 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 consultation involves application of an accounting principle to MICU'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.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as MICU's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We would like to take this opportunity to present other operational matters for your consideration. This letter does not affect our report dated November 29, 2017, on the financial statements of Michigan Independent Colleges & Universities. Our comments are summarized as follows:

Revenue Recognition Standard

For years beginning after December 15, 2018 (fiscal year ending June 30, 2020), a new revenue recognition standard will be effective for nonpublic organizations. This standard is applicable to contracts with customers and applies to all industries. The standard specifically excludes insurance contracts, leases, financial instruments, and a limited number of other transactions. Further, with respect to non-for-profit entities, contribution revenue is excluded as it does not meet the definition of a contract with a customer.

The core principle underlying the new standard is to "recognize revenue for the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled". The effect of this principle is most pronounced when consideration is variable (performance incentives, contingent contracts, penalties, quantity discounts, etc.). In these instances, revenue will be based on expected or most likely results which will require estimation. Estimates will be reassessed or updated at each reporting date. The timing of revenue recognition will correspond to the satisfaction of performance obligations within the revenue stream. The number of performance obligations varies with each contract.

For example, a member of a trade association pays annual dues that include a subscription to 12 monthly trade magazines. In this instance, there are 13 performance obligations and two separate revenue streams. Revenue would be allocated between membership income and publication income. The portion of the dues payment attributed to the magazine would be recognized as each issue is published and the remainder would be recognized ratably over the membership period.

A more complicated example might be a sponsorship agreement for a multiyear period. This agreement may have a component that represents a charitable contribution, which would be recognized when the promise or pledge is made, and a separate component attributed to benefits derived from the events sponsored that is recognized when the events take place.

The key to dealing with this new pronouncement is to plan ahead. Fortunately, many revenue streams will not be affected. However, without proper planning, surprises can happen. Remember that the recognition of revenue can change based on the terms of each contract. Materiality is also a factor.

Leases Standard

For years beginning after December 15, 2018 (fiscal year ending June 30, 2020), a new standard addressing accounting and financial reporting issues related to leased assets and lease liabilities will be effective for most organizations. This standard requires both capital and operating leases to be recognized on the statement of financial position. The standard also requires disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases.

Not-for-Profit Financial Reporting Model

For years beginning after December 15, 2017 (fiscal year ending June 30, 2019), a new standard changing the classification of net assets and the preparation of financial statements will be effective for all not-for-profit organizations.

The objectives of the new reporting model include immediate improvements that address:

- Complexity in net asset classification
- Clarity of information regarding liquidity and availability of cash
- Transparency in reporting of financial performance measures
- Consistency in reporting expenses by function and nature
- Utility of the statement of cash flows

This information is intended solely for the use of management and the members of the Board of Directors of Michigan Independent Colleges & Universities and is not intended to be, and should not be, used for any other purpose by anyone other than these specified parties.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

November 29, 2017

Michigan Independent Colleges & Universities
Lansing, Michigan

FINANCIAL STATEMENTS

June 30, 2017

Michigan Independent Colleges & Universities

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June 30, 2017

STEVENS KIRINOVIC & TUCKER P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Michigan Independent Colleges & Universities
Lansing, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Michigan Independent Colleges & Universities (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 an opinion 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. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan Independent Colleges & Universities as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

November 29, 2017

FINANCIAL STATEMENTS

Michigan Independent Colleges & Universities

STATEMENT OF FINANCIAL POSITION

June 30, 2017

ASSETS		
Current assets		
Cash and cash equivalents	$	196,947
Investments		669,825
Accounts receivable		2,273
Prepaid expenses		4,204
Total current assets		873,249
Fixed assets, net of accumulated depreciation		31,142
TOTAL ASSETS	$	904,391
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	$	15,302
Accrued liabilities		60,426
TOTAL LIABILITIES		75,728
NET ASSETS		
Unrestricted		828,663
TOTAL LIABILITIES AND NET ASSETS	$	904,391

See accompanying notes to financial statements.

Michigan Independent Colleges & Universities

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	Unrestricted
SUPPORT AND REVENUES	
Revenues	
Membership dues	$ 740,000
Affiliate dues	6,000
Workers' compensation fund	130,000
Investment income	
Unrealized gain on investments, net	41,434
Interest income	453
Administrative fee income	60,000
TOTAL SUPPORT AND REVENUES	977,887
EXPENSES	
Program services	892,737
Management and general	153,996
TOTAL EXPENSES	1,046,733
CHANGE IN NET ASSETS	(68,846)
Net assets, beginning of year	897,509
Net assets, end of year	$ 828,663

See accompanying notes to financial statements.

Michigan Independent Colleges & Universities

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

	Program Services	Management and General	Total
Salaries	$ 460,159	$ 74,910	$ 535,069
Payroll taxes	29,384	4,783	34,167
Fringe benefits	153,017	24,910	177,927
Total salaries and related expenses	642,560	104,603	747,163
Contracted services	96,818	17,507	114,325
Facilities and equipment	56,348	9,173	65,521
Operations	24,340	6,602	30,942
Travel	50,912	8,287	59,199
Other	21,759	7,824	29,583
TOTAL EXPENSES	$ 892,737	$ 153,996	$ 1,046,733

See accompanying notes to financial statements.

Michigan Independent Colleges & Universities

STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (68,846)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	11,104
Net unrealized (gain) on investments	(35,487)
(Increase) decrease in:	
Accounts receivable	67,075
Prepaid expenses	(4,204)
Increase in:	
Accounts payable	3,577
Accrued liabilities	38,460
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,679
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(634,338)
Maturity of investments	437,462
Purchase of fixed assets	(4,556)
NET CASH (USED) BY INVESTING ACTIVITIES	(201,432)
NET (DECREASE) IN CASH	(189,753)
Cash and cash equivalents, beginning of year	386,700
Cash and cash equivalents, end of year	$ 196,947

See accompanying notes to financial statements.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Michigan Independent Colleges & Universities (MICU) is a nonprofit corporation that represents Michigan's not-for-profit independent colleges and universities. Objectives of MICU are as follows:

- To plan, coordinate, supervise and finance activities that promote the well-being of the private institutions of higher learning in Michigan.
- To serve its members through government relations, public policy development and advocacy.
- To increase awareness of the impact MICU members have on higher education in Michigan.
- To provide and administer workers' compensation insurance as a cost-saving service for its members.

The accounting policies of MICU conform to U.S. generally accepted accounting principles (GAAP) as applicable to not-for-profit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing not-for-profit accounting and financial reporting principles. The following is a summary of the significant accounting policies of MICU:

Basis of Presentation - In accordance with GAAP, MICU is required to report information regarding its financial position and activities according to three (3) classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

GAAP also require contributions received to be recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. MICU has not received any contributions with donor-imposed restrictions that would result in permanently or temporarily restricted net assets.

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The financial statements of MICU are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

Cash and Cash Equivalents - Cash and cash equivalents consist of savings and checking accounts and highly liquid investments with an initial maturity of three months or less.

Investments - Investments consist of money market funds and mutual funds and are stated at fair value based on quoted market prices within active markets. All gains and investment income are unrestricted.

Receivables - Accounts receivable are deemed to be fully collectible by management. Accordingly, no allowance for doubtful accounts is required for accounts receivable and it is expected that all receivables will be collected within one year.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Fixed Assets - Equipment acquired by MICU is stated at cost, if purchased, or at fair value, if donated. MICU capitalizes items with a cost of over $1,000 and a useful life over one year. Depreciation is provided using the straight-line method over the useful lives of the respective assets, which range from 5 to 7 years. The costs of normal maintenance that do not add to the value of assets or materially extend the asset lives are not capitalized.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Expense Allocation - Expenses identified as applying to program or supporting services are recorded in the appropriate service area as incurred. Expenses not directly attributable to a program or supporting service are allocated between service areas based upon estimates of professional staff time.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Income Taxes - MICU is exempt from federal income tax under provisions of Section 501(c)(6) of the U.S. Internal Revenue Code for activities related to its mission.

Subsequent Events - In preparing these financial statements, MICU has evaluated events and transactions for potential recognition or disclosure through November 29, 2017, the date the financial statements were available to be issued.

NOTE B: FAIR VALUE OF INVESTMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include investment cash and various types of mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

NOTE B: FAIR VALUE OF INVESTMENTS - CONTINUED

Investments - continued

The following table presents the fair value measurement of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall.

As of June 30, 2017, fair value measurement and the level within the fair value hierarchy in which the fair value measurements fall were as follows:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	$ 669,825	$ 669,825	$ -0-	$ -0-

At June 30, 2017, the Organization held the following investments representing more than 5% of total investments:

DFA International Core Equity Portfolio	$ 65,850
DFA US Core Equity 1 Portfolio	231,500
Vanguard Total Bond Market Index Fund	271,976
Vanguard Short Term Investment Grade Fund	69,733

NOTE C: FIXED ASSETS

The following is a summary of the changes in fixed assets for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets being depreciated				
Furniture and equipment	$ 55,224	$ 4,556	$ -	$ 59,780
Leasehold improvements	8,545	-	-	8,545
Total fixed assets being depreciated	63,769	4,556	-0-	68,325
Accumulated depreciation				
Furniture and equipment	(22,535)	(9,395)	-	(31,930)
Leasehold improvements	(3,544)	(1,709)	-	(5,253)
Total accumulated depreciation	(26,079)	(11,104)	-0-	(37,183)
Fixed assets, net	$ 37,690	$ (6,548)	$ -0-	$ 31,142

NOTE D: NONCANCELLABLE OPERATING LEASES

MICU leases office space in Lansing under a noncancellable operating lease that requires monthly payments of $4,084 through September 1, 2017, after which it will increase to $4,533 per month until September 1, 2019.

MICU leases a copier under a noncancellable operating lease that requires monthly payments of $189 through September, 2018.

MICU leases a company car under a noncancellable operating lease that requires monthly payments totaling $826. The lease expires in February 2018.

Future minimum lease payments on the leases are as follows:

Year Ending June 30,	Building Lease	Vehicle Lease	Copier Lease	Total
2018	$ 53,501	$ 6,608	$ 2,270	$ 62,379
2019	54,400	-	568	54,968
2020	4,533	-	-	4,533
Total	$ 112,434	$ 6,608	$ 2,838	$ 121,880

Rent expense for the year ended June 30, 2017 under these leases was $64,876.

NOTE E: RETIREMENT PLAN

All full-time employees participate in MICU's defined contribution retirement plan. MICU contributes, annually, an amount equal to twelve (12) percent of the participant's annual compensation. Retirement expenses totaled $61,808 for the year ended June 30, 2017.

In addition, MICU provides a 457(f) plan for the benefit of the President of MICU. The plan includes an annual contribution of $40,000, which is subject to a vesting schedule that utilizes tax-deferred benefits.

NOTE F: CONCENTRATION OF RISK

MICU's support and revenue is derived primarily from sources within Michigan. This geographical dependency creates a concentration of risk subject to Michigan's economic conditions.

MICU is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject MICU to concentrations of credit risk, consist principally of cash and investments.

MICU places its cash and investments in high quality financial institutions. In the opinion of management, all investments were subject to minimal risk. As of June 30, 2017, MICU's deposits were insured by the Federal Deposit Insurance Corporation for $205,593, and the amount of $0 was uninsured.